



<b>\$1,316,860,000</b>			
<b>DORMITORY AUTHORITY OF THE STATE OF NEW YORK</b>			
<b>STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE)</b>			
<b>\$562,510,000</b>	<b>\$55,490,000</b>	<b>\$149,455,000</b>	<b>\$549,405,000</b>
<b>Series 2010E</b>	<b>Series 2010F</b>	<b>Series 2010G</b>	<b>Series 2010H</b>
<b>(Tax-Exempt)</b>	<b>(Tax-Exempt)</b>	<b>(Federally Taxable)</b>	<b>(Federally Taxable – Build America Bonds)</b>
<b>Dated:</b> Date of Delivery		<b>Due:</b> As Shown on the Inside Cover	

The Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (General Purpose), Series 2010E (Tax-Exempt) (the “Series 2010E Bonds”), the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (General Purpose), Series 2010F (Tax-Exempt) (the “Series 2010F Bonds”), the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (General Purpose), Series 2010G (Federally Taxable) (the “Series 2010G Bonds”) and the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (General Purpose), Series 2010H (Federally Taxable – Build America Bonds) (the “Series 2010H Bonds”) and together with the Series 2010E Bonds, the Series 2010F Bonds and the Series 2010G Bonds, the “Series 2010 Bonds”, are special obligations of the Dormitory Authority of the State of New York (the “Authority”). The Series 2010 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 a Financing Agreement between the Authority and the State. Financing Agreement Payments are payable from amounts legally required to be deposited into the Revenue Bond Tax Fund (as hereinafter defined) to provide for the payment of the Series 2010 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 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 (as hereinafter defined) that can issue State 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 State Personal Income Tax.

**The Series 2010 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2010 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 2010 Bonds. The Authority has no taxing power.**

The Series 2010 Bonds will be issued as fixed rate obligations, fully registered, in denominations of \$5,000 or any integral multiple thereof. The Series 2010 Bonds will bear interest at the rates and mature at the times shown on the inside cover page hereof. Interest on the Series 2010E Bonds and the Series 2010F Bonds is payable on each February 15 and August 15, commencing February 15, 2011. Interest on the Series 2010G Bonds and the Series 2010H Bonds is payable on each March 15 and September 15, commencing March 15, 2011.

The Series 2010 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 (“DTC”). See “PART 7—BOOK-ENTRY ONLY SYSTEM” herein. So long as Cede & Co., as nominee for DTC, is the registered owner of the Series 2010 Bonds, payments of principal, redemption price of and interest on the Series 2010 Bonds will be made by U.S. Bank National Association, as Trustee and Paying Agent, to Cede & Co.

The Series 2010E Bonds, Series 2010F Bonds and Series 2010H Bonds are subject to redemption prior to maturity as more fully described herein. The Series 2010G Bonds are not subject to redemption prior to maturity.

In the opinions of Sidley Austin LLP and Hawkins Delafield & Wood LLP, co-bond counsel in connection with the Series 2010E Bonds, Series 2010G Bonds and Series 2010H Bonds (collectively, “Co-Bond Counsel”), under current law or existing statutes and court decisions, as applicable, and assuming compliance with certain tax covenants described herein and in the documents pertaining to the Series 2010E Bonds and requirements of the Internal Revenue Code of 1986, as amended (the “Code”), as described herein, interest on the Series 2010E Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In the opinion of Hawkins Delafield & Wood LLP, bond counsel in connection with the Series 2010F Bonds (“Series 2010F Bond Counsel”), under existing statutes and court decisions, and assuming compliance with certain tax covenants described herein, interest on the Series 2010F Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on the Series 2010F Bonds held by any person who, within the meaning of section 147(a) of the Code, is a “substantial user” of the facilities financed with proceeds of the Series 2010F Bonds or a “related person”. Co-Bond Counsel are also of the opinion that under current law or existing statutes and court decisions, as applicable, interest on the Series 2010G Bonds and Series 2010H Bonds is included in gross income for Federal income tax purposes pursuant to the Code. In addition, under current law, interest on the Series 2010 Bonds is exempt from personal income taxes imposed by the State and any political subdivision thereof (including The City of New York and the City of Yonkers). See “PART 12—TAX MATTERS” herein for further information.

The Series 2010 Bonds are offered, when, as and if issued and delivered to the Underwriters, and are subject to approval of legality by each of Sidley Austin LLP, New York, New York (with respect to the Series 2010E Bonds, the Series 2010G Bonds and the Series 2010H Bonds) and Hawkins Delafield & Wood LLP, New York, New York (with respect to each series of the Series 2010 Bonds) and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by Holland & Knight LLP, New York, New York. It is expected that the Series 2010 Bonds will be available for delivery in New York, New York on or about October 14, 2010.

<b>\$562,510,000 DORMITORY AUTHORITY OF THE STATE OF NEW YORK</b>		
<b>STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE), SERIES 2010E (Tax Exempt)</b>		
<b>\$55,490,000 DORMITORY AUTHORITY OF THE STATE OF NEW YORK</b>		
<b>STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE), SERIES 2010F (Tax Exempt)</b>		
<b>M.R. Beal &amp; Company</b>	<b>Blaylock Robert Van, LLC</b>	<b>BofA Merrill Lynch</b>
<b>BB&amp;T Capital Markets</b>	<b>Fidelity Capital Markets</b>	<b>Citi</b>
<b>Duncan-Williams, Inc.</b>	<b>Janney Montgomery Scott LLC</b>	<b>Goldman, Sachs &amp; Co.</b>
<b>Jackson Securities</b>	<b>Loop Capital Markets, LLC</b>	<b>J.P. Morgan</b>
<b>Lebenthal &amp; Co., LLC</b>	<b>Raymond James &amp; Associates</b>	<b>Morgan Keegan &amp; Company, Inc.</b>
<b>Morgan Stanley</b>	<b>Roosevelt &amp; Cross, Incorporated</b>	<b>RBC Capital Markets</b>
<b>Rice Financial Products Company</b>	<b>Stone &amp; Youngberg</b>	<b>Stifel, Nicolaus &amp; Company, Inc.</b>
<b>\$149,455,000 DORMITORY AUTHORITY OF THE STATE OF NEW YORK</b>		
<b>STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE), SERIES 2010G (Federally Taxable)</b>		
<b>\$549,405,000 DORMITORY AUTHORITY OF THE STATE OF NEW YORK</b>		
<b>STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE), SERIES 2010H (Federally Taxable - Build America Bonds)</b>		
<b>M.R. Beal &amp; Company</b>	<b>BofA Merrill Lynch</b>	<b>Siebert Brandford Shank &amp; Co. LLC</b>
<b>Barclays Capital</b>	<b>Jefferies &amp; Company</b>	<b>Wells Fargo Securities</b>

**MATURITIES, AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS**

**\$562,510,000**

**State Personal Income Tax Revenue Bonds (General Purpose), Series 2010E (Tax-Exempt)**

<b>Due February 15</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP Numbers<sup>†</sup></b>	<b>Due February 15</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP Numbers<sup>†</sup></b>
2011	\$19,505,000	2.00%	0.09%	649902T52	2018	\$40,030,000	5.00%	2.49%	6499022R3
2012	8,685,000	2.00	0.68	649902T60	2019	480,000	3.00	2.72	649902U50
2012	24,710,000	5.00	0.68	6499022G7	2019	870,000	4.00	2.72	6499022U6
2013	8,325,000	2.50	0.93	649902T78	2019	43,830,000	5.00	2.72	6499022T9
2013	26,485,000	5.00	0.93	6499022H5	2020	6,340,000	4.00	2.90	649902U68
2014	2,600,000	2.50	1.28	649902T86	2020	41,080,000	5.00	2.90	6499022V4
2014	33,720,000	3.00	1.28	6499022J1	2021	15,400,000	5.00	3.07*	649902U76
2015	3,935,000	2.50	1.57	649902T94	2022	14,760,000	5.00	3.18*	649902U84
2015	110,000	4.00	1.57	6499022L6	2023	10,655,000	5.00	3.25*	649902U92
2015	33,365,000	5.00	1.57	6499022K8	2024	11,185,000	5.00	3.33*	649902V26
2016	3,055,000	3.00	1.88	649902U27	2025	11,740,000	5.00	3.41*	649902V34
2016	495,000	4.00	1.88	6499022N2	2026	4,635,000	3.375	3.49	649902V42
2016	35,620,000	5.00	1.88	6499022M4	2026	5,635,000	5.00	3.49*	6499022W2
2017	1,350,000	3.00	2.21	649902U35	2027	10,715,000	5.00	3.57*	649902V59
2017	1,265,000	4.00	2.21	6499022Q5	2028	11,245,000	5.00	3.65*	649902V67
2017	38,465,000	5.00	2.21	6499022P7	2029	11,810,000	5.00	3.73*	649902V75
2018	1,920,000	3.00	2.49	649902U43	2030	12,400,000	5.00	3.82*	649902V83
2018	1,130,000	4.00	2.49	6499022S1					

**\$35,755,000 5.00% Term Bonds due February 15, 2035 Priced to Yield 4.00%\* CUSIP Number<sup>†</sup> 649902V91**

**\$29,205,000 5.00% Term Bonds due February 15, 2040 Priced to Yield 4.07%\* CUSIP Number<sup>†</sup> 649902W25**

**\$55,490,000**

**State Personal Income Tax Revenue Bonds (General Purpose), Series 2010F (Tax-Exempt)**

<b>Due February 15</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP Numbers<sup>†</sup></b>	<b>Due February 15</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP Numbers<sup>†</sup></b>
2011	\$950,000	2.00%	0.40%	649902W33	2020	\$195,000	4.00%	2.93%	649902X40
2012	1,370,000	2.00	0.68	649902W41	2020	1,620,000	5.00	2.93	6499023B7
2013	1,400,000	2.50	0.93	649902W58	2021	400,000	4.00	3.07*	649902X57
2014	250,000	2.50	1.28	649902W66	2021	1,505,000	5.00	3.07*	6499023C5
2014	1,185,000	5.00	1.28	6499022X0	2022	1,995,000	5.00	3.18*	649902X65
2015	1,500,000	2.50	1.59	649902W74	2023	2,095,000	4.00	3.25*	649902X73
2016	250,000	3.00	1.90	649902W82	2024	2,180,000	5.00	3.33*	649902X81
2016	1,290,000	5.00	1.90	6499022Y8	2025	250,000	4.00	3.41*	649902X99
2017	150,000	3.00	2.23	649902W90	2025	460,000	5.00	3.41*	6499023D3
2017	1,460,000	5.00	2.23	6499022Z5	2026	715,000	3.375	3.49	649902Y23
2018	1,685,000	3.00	2.51	649902X24	2028	100,000	4.00	3.65*	649902Y49
2019	500,000	3.00	2.75	649902X32	2030	865,000	4.00	3.82*	649902Y64
2019	1,240,000	5.00	2.75	6499023A9					

**\$29,880,000 5.00% Term Bonds due February 15, 2035 Priced to Yield 4.02%\* CUSIP Number<sup>†</sup> 649902Y72**

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\* Priced at the stated yield to the February 15, 2020 optional redemption date at a redemption price of 100%.

**\$149,455,000**  
**State Personal Income Tax Revenue Bonds (General Purpose), Series 2010G (Federally Taxable)**

<u>Due March 15</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP Numbers<sup>†</sup></u>	<u>Due March 15</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP Numbers<sup>†</sup></u>
2011	\$6,845,000	0.749%	100%	649902Y80	2016	\$15,590,000	2.825%	100%	649902Z55
2012	14,545,000	1.149	100	649902Y98	2017	16,035,000	3.225	100	649902Z63
2013	14,710,000	1.534	100	649902Z22	2018	16,555,000	3.626	100	649902Z71
2014	14,935,000	1.998	100	649902Z30	2019	17,155,000	3.946	100	649902Z89
2015	15,245,000	2.298	100	649902Z48	2020	17,840,000	4.076	100	649902Z97

**\$549,405,000**  
**State Personal Income Tax Revenue Bonds (General Purpose), Series 2010H**  
**(Federally Taxable – Build America Bonds)**

<u>Due March 15</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP Numbers<sup>†</sup></u>	<u>Due March 15</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP Numbers<sup>†</sup></u>
2021	\$18,440,000	4.246%	100%	6499022A0	2022	\$19,105,000	4.346%	100%	6499022B8

**\$253,360,000 5.289% Term Bonds due March 15, 2033 Price 100% CUSIP Number<sup>†</sup> 6499022E2**  
**\$258,500,000 5.389% Term Bonds due March 15, 2040 Price 100% CUSIP Number<sup>†</sup> 6499022F9**

<sup>†</sup> Copyright, American Bankers Association. CUSIP numbers have been assigned by Standard & Poor's, CUSIP Service Bureau and are provided solely for the convenience of the holders of the Series 2010 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 2010 Bonds or as indicated above. The CUSIP numbers are subject to change after the issuance of the Series 2010 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2010 Bonds.

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IN CONNECTION WITH THE OFFERING OF THE SERIES 2010 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 2010 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.*

<p><b>State Personal Income Tax Revenue Bond Financing Program</b></p>	<p>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 New York State (the “State”) in the joint custody of the State Commissioner of Taxation and Finance (the “Commissioner”) and the Comptroller of the State (the “State Comptroller”).</p> <p>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.</p> <p>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.</p>
<p><b>Purpose of Issue; Security for Series 2010 Bonds</b></p>	<p>The Series 2010 Bonds are being issued for the purposes of financing Authorized Purposes (as such term is defined in the General Resolution).</p> <p>The Series 2010E Bonds are being issued to finance capital projects of the State University of New York (“SUNY”) educational and hospital facilities, SUNY Upstate Community College facilities, the City University of New York (“CUNY”) senior college facilities and community college facilities, grants under the Expanding Our Children's Education and Learning (“EXCEL”) program, grants to libraries, State and voluntary agency facilities for the Office of Mental Health (“OMH”), the Office for People with Developmental Disabilities (“OPWDD”), and the Office of Alcoholism and Substance Abuse Services (“OASAS”) and economic development grants</p>

<p><b>Purpose of Issue; Security for Series 2010 Bonds (continued)</b></p>	<p>under various programs, including but not limited to: the Community Capital Assistance Program (“CCAP”), the New York Economic Development Assistance Program (“NYEDAP”), the New York State Capital Assistance Program (“NYSCAP”), the New York Economic Development Capital Program (“NYEDCP”), the New York Economic Development Program (“NYEDP”), the New York State Regional Economic Development Program (“RED”) and the New York State Technology and Development Program (“TAD”) and other individual projects.</p> <p>The Series 2010F Bonds are being issued to finance voluntary agency facilities for OMH.</p> <p>The Series 2010G Bonds are being issued to finance economic development grants under various programs, including but not limited to: the NYSCAP, NYEDCP, TAD, RED, NYEDAP, the Strategic Investment Program (“SIP”)and the Advanced Energy Research and Technology Center facility at SUNY Stony Brook.</p> <p>The Series 2010H Bonds are being issued to finance capital projects of SUNY educational and hospital facilities, CUNY senior college facilities and community college facilities and SUNY Upstate Community College facilities. Additionally, the proceeds of the Series 2010 Bonds will be used to pay all or part of the cost of issuance of the Series 2010 Bonds. See “PART 2—INTRODUCTION” and “PART 6—THE PROJECTS” for a more complete description of the application of proceeds of the Series 2010 Bonds.</p> <p>The Series 2010 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 financing agreement entered into by the Authority with the Director of the Budget (the “Financing Agreement”).</p> <p><b>The Series 2010 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2010 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 2010 Bonds. The Authority has no taxing power.</b></p> <p><b>The Series 2010 Bonds are not secured by the projects financed with the proceeds of the Series 2010 Bonds or any interest therein.</b></p>
<p><b>Sources of Payment and Security for State Personal Income Tax Revenue Bonds— Revenue Bond Tax Fund Receipts</b></p>	<p>The Enabling Act provides that 25 percent of the receipts from the New York State personal income tax, which excludes 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.</p> <p>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</p>



**Sources of Payment and Security for State Personal Income Tax Revenue Bonds— Revenue Bond Tax Fund Receipts (continued)**

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 2008-09 through 2010-11 are as follows:

<u>State Fiscal Year</u>	<u>New York State Personal Income Tax Receipts</u> <i>(\$ in billions)</i>	<u>Withholding Component</u>	<u>Revenue Bond Tax Fund Receipts</u>
2008-09	36.8	27.7	9.2
2009-10	34.8	29.4	8.7
2010-11*	36.9	31.3	9.2

\* As estimated in the 2010-11 Enacted Budget Financial Plan.

The Series 2010 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 State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution (the “General Resolution”).

The Series 2010 Bonds are issued on a parity with all other Bonds which may be issued under the General Resolution. 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.

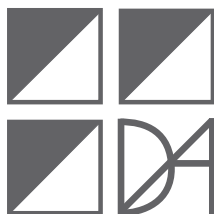
Financing agreement payments are made from certain personal income taxes imposed by the State of New York on a statewide basis and deposited, as required by the Enabling Act, to the Revenue Bond Tax Fund. The financing agreement payments are to be paid by the State Comptroller to the applicable trustees 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

	<p>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. 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.”</p> <p>The Series 2010 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2010 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 2010 Bonds. The Authority has no taxing power.</p>
<p><b>Set Aside for Purpose of Making Financing Agreement Payments</b></p>	<p>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.</p> <p>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 2010-11.</p> <p>See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS.”</p>
<p><b>Availability of General Fund to Satisfy Set-Aside of Revenue Bond Tax Fund Receipts</b></p>	<p>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.</p>
<p><b>Moneys Held in Revenue Bond Tax Fund if State Fails to Appropriate or Pay Required Amounts</b></p>	<p>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 set aside in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal to 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</p>

	<p>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.</p> <p>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."</p>
<p><b>Additional Bonds and Debt Service Coverage</b></p>	<p>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.</p> <p>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.</p> <p>In accordance with the additional bonds test above, Revenue Bond Tax Fund Receipts of approximately \$8.8 billion are available to pay financing agreement payments on a pro forma basis, which amount represents 4.6 times the maximum annual Debt Service for all Outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2010 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."</p> <p>As of September 20, 2010, approximately \$18.93 billion of State Personal Income Tax Revenue Bonds were outstanding.</p>
<p><b>Continuing Disclosure</b></p>	<p>In order to assist the Underwriters in complying with Rule 15c2-12 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, as amended and restated. See "PART 18—CONTINUING DISCLOSURE."</p>

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**DORMITORY AUTHORITY – STATE OF NEW YORK**  
**PAUL T. WILLIAMS, JR. – PRESIDENT**

**515 BROADWAY, ALBANY, N.Y. 12207**  
**ALFONSO L. CARNEY, JR., ESQ. – CHAIR**

## **OFFICIAL STATEMENT**

**Relating to**

**\$1,316,860,000**

### **DORMITORY AUTHORITY OF THE STATE OF NEW YORK STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE)**

<b>\$562,510,000</b>	<b>\$55,490,000</b>	<b>\$149,455,000</b>	<b>\$549,405,000</b>
<b>Series 2010E</b>	<b>Series 2010F</b>	<b>Series 2010G</b>	<b>Series 2010H</b>
<b>(Tax-Exempt)</b>	<b>(Tax-Exempt)</b>	<b>(Federally Taxable)</b>	<b>(Federally Taxable – Build America Bonds)</b>

## **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 \$562,510,000 State Personal Income Tax Revenue Bonds (General Purpose), Series 2010E (Tax-Exempt) (the “Series 2010E Bonds”), \$55,490,000 State Personal Income Tax Revenue Bonds (General Purpose), Series 2010F (Tax-Exempt) (the “Series 2010F Bonds”), \$149,455,000 State Personal Income Tax Revenue Bonds (General Purpose), Series 2010G (Federally Taxable) (the “Series 2010G Bonds”) and \$549,405,000 State Personal Income Tax Revenue Bonds (General Purpose), Series 2010H (Federally Taxable – Build America Bonds) (the “Series 2010H Bonds” and together with the Series 2010E Bonds, the Series 2010F Bonds and the Series 2010G Bonds, the “Series 2010 Bonds”). The interest rates, maturity dates, and prices or yields of the Series 2010 Bonds being offered hereby are set forth on the inside cover page of this Official Statement.

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 2010 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 (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 10—THE AUTHORITY.”

The Series 2010 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 Titles 4 and 4-B 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”). Legislation has been enacted permitting the transfer of other monies into the Revenue Bond Tax Fund.

The Series 2010 Bonds are additionally authorized under the Authority’s State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution, adopted by the Authority on April 29, 2009 (the “General Resolution”), as supplemented by the Authority’s Supplemental Resolution 2009-5 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by the Authority on July 29, 2009, the Authority’s Supplemental Resolution 2010-5 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by the Authority on May 19, 2010, and the Authority’s Supplemental Resolution 2010-6 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by the Authority on July 28, 2010 (collectively, the “Series 2010 Supplemental Resolutions”) (such General Resolution, together with the Supplemental Resolutions, being herein, except as the context otherwise indicates, collectively referred to as the “Resolution,” and any bonds issued pursuant to the General Resolution, including the Series 2010 Bonds, being herein referred to as the “Bonds”).

The Series 2010 Bonds, and any additional series of Bonds which have heretofore been issued and which may hereafter be issued under the General Resolution, will be equally and ratably secured thereunder. The Series 2010 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 September 20, 2010, approximately \$18.93 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 2010 Bonds” and “—Additional Bonds.”

The Series 2010 Bonds are being issued for the purposes of financing Authorized Purposes (as such term is defined in the General Resolution). The Series 2010E Bonds are being issued to finance capital projects of the State University of New York (“SUNY”) educational and hospital facilities, SUNY Upstate Community College facilities, the City University of New York (“CUNY”) senior college facilities and community college facilities, grants under the Expanding Our Children's Education and Learning (“EXCEL”) program, grants to libraries, State and voluntary agency facilities for the Office of Mental Health (“OMH”), the Office for People with Developmental Disabilities (“OPWDD”), and the Office of Alcoholism and Substance Abuse Services (“OASAS”) and economic development grants under various programs, including but not limited to: the Community Capital Assistance Program (“CCAP”), the New York Economic Development Assistance Program (“NYEDAP”), the New York State Capital Assistance Program (“NYSCAP”), the New York Economic Development Capital Program (“NYEDCP”), the New York Economic Development Program (“NYEDP”), the New York State Regional Economic Development Program (“RED”) and the New York State Technology and Development Program (“TAD”) and other individual projects. The Series 2010F Bonds are being issued to finance voluntary agency facilities for OMH. The Series 2010G Bonds are being issued to finance economic development grants under various programs, including but not limited to: the NYSCAP, NYEDCP, TAD, RED, NYEDAP, the Strategic Investment Program (“SIP”) and the Advanced Energy Research and Technology Center facility at SUNY Stony Brook. The Series 2010H Bonds are being issued to finance capital projects of SUNY educational and hospital facilities, CUNY senior college facilities and community college facilities and SUNY Upstate Community College facilities. Additionally, the proceeds of the Series 2010 Bonds will be used to pay all or part of the cost of issuance of the Series 2010 Bonds. See “PART 6—THE PROJECTS” for a more complete description of the application of proceeds of the Series 2010 Bonds. **The Series 2010 Bonds are not secured by the Projects or any interest therein.**

**The Series 2010 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2010 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 2010 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 Resolution. See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—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 Comptroller of the State (the “State Comptroller”) and the State 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 exclude refunds owed to taxpayers, and 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 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 2010 Bonds**

The Series 2010 Bonds are special obligations of the Authority, secured by and payable solely from Financing Agreement Payments payable by the State Comptroller to U.S. Bank National Association, as Trustee and Paying Agent (the “Trustee” or “Paying Agent”) on behalf of the Authority in accordance with the terms and provisions of a Financing Agreement 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 General Resolution (other than the Rebate Fund and other Funds as provided in such Resolution). A copy of the form of the Financing Agreement relating to the Series 2010 Bonds is included as Appendix C hereto. The Series 2010 Bonds are entitled to a lien, created by a pledge under the General Resolution, 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 described herein, Revenue Bond Tax Fund Receipts of approximately \$8.8 billion are available to pay financing agreement payments on a pro forma basis, which amount represents approximately 4.6 times the maximum annual Debt Service for all Outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2010 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 General Resolution, and under no circumstances shall these be available for such purposes. See “PART 10—THE AUTHORITY” for a further description of the Authority.

### **Designation of Series 2010H Bonds as “Build America Bonds”**

The Authority intends to make irrevocable elections to treat the Series 2010H Bonds as “Build America Bonds” under Section 54AA of the Internal Revenue Code of 1986, as amended (the “Code”) for which it will receive, pursuant to Sections 54AA(g) and 6431 of the Code, a cash subsidy payment from the United States Treasury equal to thirty-five percent (35%) of the interest payable by the Authority on the Series 2010H Bonds. It is expected that any cash subsidy payments received will be deposited, upon



receipt, to the credit of the State. **Such subsidy payment will not constitute Revenues under the Resolutions, and will not be pledged as security for the Bonds.**

### **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:

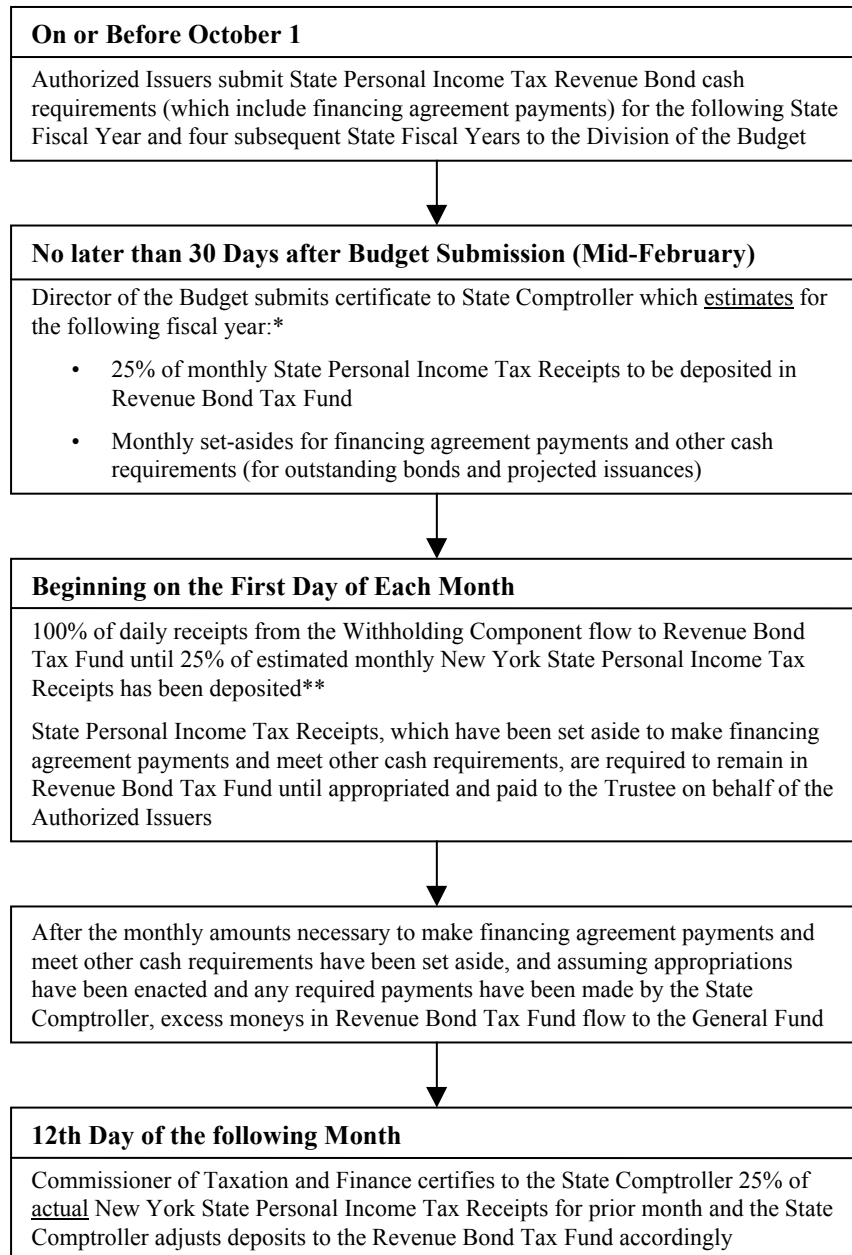
1. Beginning on the first day of each month, deposit all of the daily receipts from the Withholding Component to the Revenue Bond Tax Fund until there is on deposit in the Revenue Bond Tax Fund an amount equal to 25 percent of estimated monthly New York State Personal Income Tax Receipts.
2. Set aside,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

## Flow of Revenue Bond Tax Fund Receipts

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



\* 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 in 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**

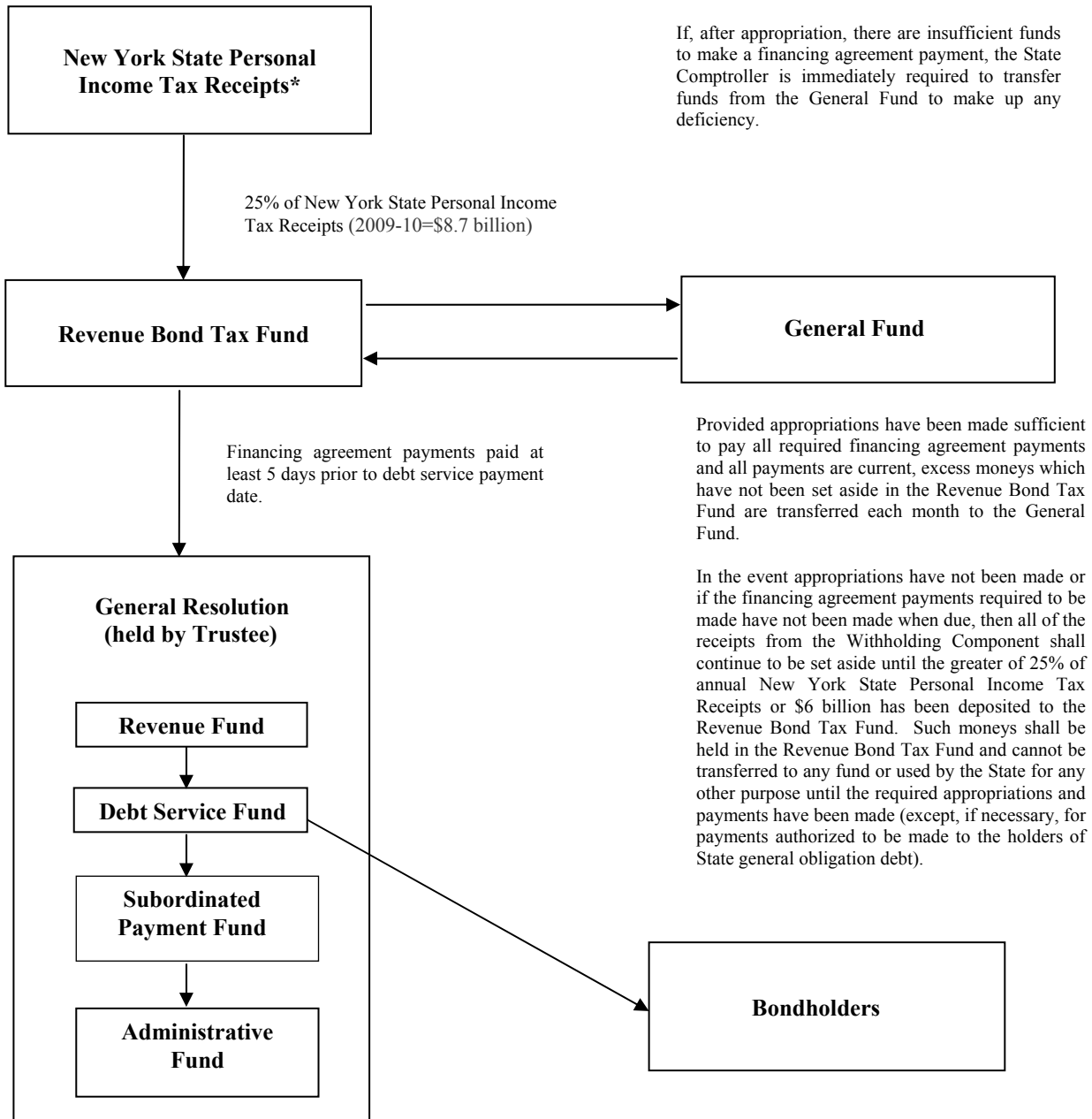
The Enabling Act prohibits the State Comptroller from paying over or distributing any amounts deposited in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) other than to the Authority and other Authorized Issuers (which 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 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 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 RESOLUTION – 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 RESOLUTION.”

### **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 RESOLUTION – 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 Tax 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. For tax years 2006 through 2008, the rate schedules reverted to the rate schedule in effect for the 2002 tax year. For tax years 2009 through 2011, a temporary tax rate increase applies, adding two additional rates and brackets. The following tables set forth the rate schedules for tax years 2009 through 2011 and for tax years after 2011.

## New York State Personal Income Tax Rates for Tax Years 2009 Through 2011

### Married Filing Jointly

Taxable Income:

	Tax*
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 but not over \$300,000.....	\$1,946 plus 6.85% of excess over \$40,000
Over \$300,000 but not over \$500,000.....	\$19,756 plus 7.85% of excess over \$300,000
Over \$500,000.....	\$35,456 plus 8.97% of excess over \$500,000

### 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 but not over \$200,000.....	\$973 plus 6.85% of excess over \$20,000
Over \$200,000 but not over \$500,000.....	\$13,303 plus 7.85% of excess over \$200,000
Over \$500,000.....	\$36,853 plus 8.97% of excess over \$500,000

### 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 but not over \$250,000.....	\$1,492 plus 6.85% of excess over \$30,000
Over \$250,000 but not over \$500,000.....	\$16,562 plus 7.85% of excess over \$250,000
Over \$500,000.....	\$36,187 plus 8.97% of excess over \$500,000

\* A supplemental income tax recaptures the value of lower tax brackets such that when a taxpayer's AGI exceeds \$550,000, all taxable income becomes effectively subject to a flat 8.97 percent tax rate.

## New York State Personal Income Tax Rates for Tax Years After 2011

### Married Filing Jointly

Taxable Income:

	Tax†
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 recaptures the value of lower tax brackets such that when a taxpayer's 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 State Fiscal Years 2000-01 and 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 State Fiscal Years 2000-01 and 2001-02 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 2009-10, New York State Personal Income Tax Receipts were approximately \$34.8 billion and accounted for approximately 59 percent of State tax receipts in all State Funds. The 2010-11 Enacted Budget Financial Plan estimates New York State Personal Income Tax Receipts at \$36.9 billion for State Fiscal Year 2010-11.

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 2000-01 through 2010-11. For State Fiscal Years 2000-2001 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.

**NYS Personal Income Tax Receipts, Withholding Components and  
State Revenue Bonds Tax Fund Receipts  
State Fiscal Years 2000-01 through 2010-11**

<u>State Fiscal Year</u>	<u>New York State Personal Income Tax Receipts</u>	<u>Withholding Component</u>	<u>Withholding/State Personal Income Tax Receipts</u>	<u>Revenue Bond Tax Fund Receipts*</u>
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	7,646,505,451
2007-08.....	36,563,948,528**	28,440,134,437	77.8	9,140,987,132**
2008-09.....	36,840,019,400**	27,686,157,203	75.2	9,210,004,850**
2009-10.....	34,751,381,665**	29,443,180,489	84.7	8,687,845,416**
2010-11 (est.).....	36,897,000,000**	31,301,000,000	84.8	9,224,250,000**

\* Twenty-five percent of New York State Personal Income Tax Receipts shown on an annualized and *pro forma* basis for State Fiscal Years 2000-2001 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 2009-10, New York State Personal Income Tax Receipts totaled approximately \$34.8 billion. The 2010-11 Enacted Budget 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 6.2% to \$36.9 billion in 2010-11.

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 liability estimates 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, 2002-03, and 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 2001 through 2010.

**NYS Adjusted Gross Income (AGI) and Personal Income Tax Liability 2001 to 2010\***

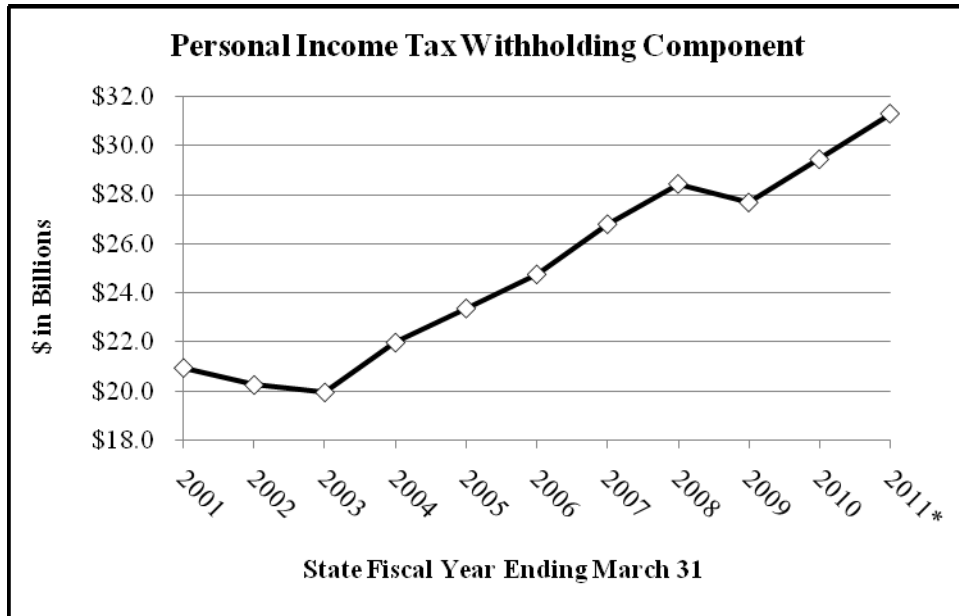
<u>Tax Year</u>	<u>NYS AGI</u>	<u>Percent Change</u>	<u>Personal Income Tax Liability</u>	<u>Percent Change</u>
	<i>(\$ in millions)</i>			
2001 .....	\$481,001	(5.5)%	\$22,406	(8.5)%
2002 .....	459,919	(4.4)	20,729	(7.5)
2003 .....	473,778	3.0	22,456	8.3
2004 .....	525,964	11.0	25,769	14.8
2005 .....	571,916	8.7	28,484	10.5
2006 .....	632,601	10.6	29,605	3.9
2007 .....	725,245	14.6	35,215	19.0
2008 (est.) .....	661,596	(8.8)	31,628	(10.2)
2009 (est.) .....	591,216	(10.6)	30,409	(3.9)
2010 (proj.) .....	649,365	9.8	34,697	14.1

\* 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. Tax liability and adjusted gross income fell in 2001 and 2002 in the wake of the 2001 national recession and the September 11 attacks. Both subsequently grew for five consecutive years, as the State economy recovered and entered a robust period of expansion. With the onset of the national recession and the financial crisis, adjusted gross income and tax liability are estimated to have fallen for both 2008 and 2009.

Tax liability for tax years 2003 through 2005 reflect a temporary tax rate surcharge on high-income taxpayers, which increased overall liability by about 7 percent, while the low 3.9 percent growth in tax liability for tax year 2006 reflects the expiration of the surcharge at the end of 2005. Likewise, a temporary tax rate surcharge on high-income taxpayers enacted for tax years 2009 through 2011 makes the decline in tax liability much smaller in 2009. A strong recovery in liability is expected for 2010 due to a recovering financial sector and the anticipated shifting of income from 2011 to 2010 with the expiration of the 2001 and 2003 Federal tax cuts.

The following graph shows the history of withholding receipts since State Fiscal Year 2000-2001. Like overall adjusted gross incomes and tax liabilities, withholding has steadily increased each year except the recession-related State Fiscal Years 2001-02, 2002-03 and 2008-09, due to overall growth in employment and wages, as well as the temporary tax surcharge which applied during State Fiscal Years 2003-04 through 2005-06 and for the State Fiscal Year 2009-10 actuals and 2010-11 estimates, which reflects the temporary tax rate increase.



\* 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 2010 BONDS

### General

The Series 2010E Bonds and the Series 2010F Bonds will bear interest, computed on the basis of a 360-day year and 30-day month, from their date of delivery payable February 15, 2011, and on each February 15 and August 15 thereafter at the rates set forth on the inside cover page of this Official Statement. The Series 2010G Bonds and the Series 2010H Bonds will bear interest, computed on the basis of a 360-day year and 30-day month, from their date of delivery payable March 15, 2011, and on each March 15 and September 15 thereafter at the rates set forth on the inside cover page of this Official Statement. The Series 2010 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof.

The Series 2010 Bonds will be issued under a book-entry only system, and will be registered in the name of Cede & Co., as nominee for DTC, which will act as bond depository for the Series 2010 Bonds. So long as Cede & Co., as nominee for DTC, is the registered owner of the Series 2010 Bonds, payments of principal, redemption price of and interest on the Series 2010 Bonds will be made by U.S. Bank National Association, as Trustee and Paying Agent, to Cede & Co., which will, in turn, remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners (See “PART 7—BOOK-ENTRY ONLY SYSTEM” below).

## **Optional Redemption**

### *Series 2010E Bonds*

The Series 2010E Bonds maturing on and before February 15, 2020 are not subject to redemption prior to maturity at the option of the Authority. The Series 2010E Bonds maturing on and after February 15, 2021 are subject to redemption prior to maturity on or after February 15, 2020, 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.

If fewer than all of Series 2010E Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Series 2010E Bonds of such maturity and bearing such interest rate to be redeemed will be determined as set forth below under “–Selection of Bonds to be Redeemed; Notice of Redemption.”

### *Series 2010F Bonds*

The Series 2010F Bonds maturing on and before February 15, 2020 are not subject to redemption prior to maturity at the option of the Authority. The Series 2010F Bonds maturing on and after February 15, 2021 are subject to redemption prior to maturity on or after February 15, 2020, 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.

If fewer than all of Series 2010F Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Series 2010F Bonds of such maturity and bearing such interest rate to be redeemed will be determined as set forth below under “–Selection of Bonds to be Redeemed; Notice of Redemption.”

### *Series 2010G Bonds*

The Series 2010G Bonds are not subject to redemption prior to maturity.

### *Series 2010H Bonds - Make-Whole Optional Redemption*

The Series 2010H Bonds are subject to redemption prior to their maturity at the option of the Authority, in whole or in part, on any Business Day, at the Make-Whole Redemption Price (as defined herein). The “Make-Whole Redemption Price” is the greater of (i) the issue price(s) as shown on the inside cover page of this Official Statement (but not less than 100% of the principal amount of the Series 2010H Bonds to be redeemed); or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2010H Bonds to be redeemed (taking into account any mandatory sinking fund redemptions), not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010H Bonds are to be redeemed, discounted to the date on which the Series 2010H Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (defined below) plus 25 basis points, plus, in each case, accrued and unpaid interest on the Series 2010H Bonds to be redeemed on the redemption date.

For purpose of determining the Make-Whole Redemption Price, “Treasury Rate” means, with respect to any redemption date for a particular Series 2010H Bond, the yield to maturity as of such redemption date of U.S. Treasury securities with a constant maturity (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days but not more than 45 calendar days, such day to be determined by the Authority, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer

published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Bond to be redeemed, provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year will be used.

If fewer than all of Series 2010H Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Series 2010H Bonds of such maturity and bearing such interest rate to be redeemed will be determined as set forth below under “–Selection of Bonds to be Redeemed; Notice of Redemption.”

### **Extraordinary Optional Redemption**

#### *Series 2010F Bonds*

The Series 2010F Bonds are also subject to redemption prior to maturity at any time in whole or in part, by lot within a maturity, at a Redemption Price of 100% of the principal amount of such Series 2010F Bonds or portions thereof to be redeemed plus accrued interest to the date of redemption as a result of (i) moneys derived from the net proceeds of insurance or condemnation awards which have been deposited in the Debt Service Fund with respect to the voluntary agency facilities financed with proceeds of the Series 2010F Bonds, (ii) moneys derived as a result of a default by a voluntary agency receiving a loan from proceeds of the Series 2010F Bonds which have been deposited in the Debt Service Fund, or (iii) moneys on deposit in the Bond Proceeds Fund or the Debt Service Fund to the extent not used to make loans to voluntary agencies to finance the voluntary agency facilities.

If fewer than all of the Series 2010F Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Series 2010F Bonds of such maturity and bearing such interest rate to be redeemed will be determined as set forth below under “–Selection of Bonds to be Redeemed; Notice of Redemption.”

#### *Series 2010H Bonds*

The Series 2010H Bonds are subject to redemption at any time prior to their maturity at the option of the Authority, in whole or in part, upon the occurrence of an Extraordinary Event, at a redemption price (the “Extraordinary Optional Redemption Price”) equal to the greater of (i) 100% of the principal amount of the Series 2010H Bonds to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2010H Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010H Bonds are to be redeemed, discounted to the date on which the Series 2010H Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 100 basis points, plus, in each case, accrued and unpaid interest on the Series 2010H Bonds to be redeemed on the redemption date.

An “Extraordinary Event” will have occurred if (a) Sections 54AA or 6431 of the Code (as such Sections were added by Section 1531 of the American Recovery and Reinvestment Act of 2009, pertaining to “Build America Bonds”) is modified or amended in a manner pursuant to which the Authority’s 35% cash subsidy payment from the United States Treasury is reduced or eliminated, or (b) guidance published by the Internal Revenue Service or the United States Treasury with respect to such Sections imposes one or more substantive new conditions on the receipt by the Authority of such 35% cash subsidy payments and such condition(s) are unacceptable to the Authority.



For purposes of determining the Extraordinary Optional Redemption Price, “Treasury Rate” shall have the meaning described above under the caption “Optional Redemption—Series 2010H Bonds—Make-Whole Optional Redemption.”

If fewer than all of the Series 2010H Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Series 2010H Bonds of such maturity and bearing such interest rate to be redeemed will be determined as set forth below under “–Selection of Bonds to be Redeemed; Notice of Redemption.”

### **Mandatory Sinking Fund Redemption**

The Series 2010E Term Bonds are subject to mandatory redemption in part on February 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:

#### Series 2010E Term Bond Maturing February 15, 2035

<u>Year</u>	<u>Sinking Fund Installments</u>
2031	\$6,465,000
2032	6,795,000
2033	7,135,000
2034	7,495,000
2035†	7,865,000

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† Stated maturity.

#### Series 2010E Term Bond Maturing February 15, 2040

<u>Year</u>	<u>Sinking Fund Installments</u>
2036	\$5,290,000
2037	5,545,000
2038	5,830,000
2039	6,115,000
2040†	6,425,000

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† Stated maturity.

The Series 2010F Term Bonds are subject to mandatory redemption in part on February 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:

Series 2010F Term Bond Maturing February 15, 2035

<u>Year</u>	<u>Sinking Fund Installments</u>
2025	\$1,575,000
2026	1,685,000
2027	2,505,000
2028	2,530,000
2029	2,765,000
2030	2,035,000
2031	3,040,000
2032	3,190,000
2033	3,350,000
2034	3,515,000
2035†	3,690,000

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† Stated maturity.

The Series 2010H Term Bonds are subject to mandatory redemption in part 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:

Series 2010H Term Bond Maturing March 15, 2033

<u>Year</u>	<u>Sinking Fund Installments</u>
2025	\$24,490,000
2026	25,340,000
2027	26,210,000
2028	27,110,000
2029	28,040,000
2030	29,005,000
2031	30,005,000
2032	31,045,000
2033†	32,115,000

Series 2010H Term Bond Maturing March 15, 2040

<u>Year</u>	<u>Sinking Fund Installments</u>
2034	\$33,220,000
2035	34,385,000
2036	35,595,000
2037	36,840,000
2038	38,140,000
2039	39,465,000
2040†	40,855,000

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† Stated maturity.

In connection with any optional redemption, extraordinary optional redemption or purchase and cancellation of the Series 2010 Bonds, the principal amount of such series being redeemed or purchased and cancelled shall be allocated against the scheduled sinking fund redemption amounts set forth above in such manner as the Authority may direct and the scheduled sinking fund installments payable thereafter shall be modified as to such series of Series 2010 Bonds. In such event, the Authority shall provide to the Trustee a revised schedule of sinking fund installments. If fewer than all of any series of the Series 2010 Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Series 2010 Bonds of such maturity and bearing such interest rate to be redeemed will be determined as set forth below under “–Selection of Bonds to be Redeemed; Notice of Redemption.”

### **Selection of Bonds to be Redeemed; Notice of Redemption**

In the case of redemptions of Series 2010 Bonds at the option of the Authority, the Authority will select the maturities of the Series 2010 Bonds to be redeemed.

If less than all of the Series 2010E Bonds or Series 2010F Bonds of a maturity are to be redeemed, the Trustee shall assign to each Outstanding Bond of such series and maturity to be redeemed a distinctive number for each unit of the principal amount of such Series 2010E Bonds or Series 2010F Bonds, equal to the lowest denomination in which such Series 2010E Bonds or Series 2010F 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 2010E Bonds or Series 2010F Bonds, as many numbers as, at such unit amount equal to the lowest denomination in which such Series 2010E Bonds or Series 2010F Bonds are authorized to be issued for each number, shall equal the principal amount of such Series 2010E Bonds or Series 2010F Bonds to be redeemed.

If the Series 2010H Bonds are registered in book-entry form, and so long as DTC or a successor securities depository is the sole registered owner of such Series 2010H Bonds and if fewer than all of any maturity of Series 2010H Bonds bearing the same interest rate are to be redeemed, the particular Series 2010H Bonds to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Series 2010H Bonds are held in book-entry form, the selection for redemption of such Series 2010H Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Series 2010H Bonds will be selected for redemption, in accordance with DTC procedures, by lot; provided that any such redemption must be performed such that all Series 2010H Bonds remaining outstanding will be in authorized denominations. See “PART 7- BOOK-ENTRY ONLY SYSTEM.”

In connection with any repayment of principal, including payments of scheduled mandatory sinking fund payments, the Trustee will direct DTC to make a pass-through distribution of principal to the owners of the Series 2010H Bonds. A form of Pro Rata Pass-Through Distribution of Principal Notice will be provided to the Trustee that includes a table of factors reflecting the relevant scheduled redemption payments, based on the current schedule of mandatory sinking fund payments, which is subject to change upon certain optional redemptions, and DTC's currently applicable procedures, which are subject to change.

For purposes of calculating pro rata pass-through distributions of principal, "pro rata" means, for any amount of principal or interest to be paid, the application of a fraction to such amounts where (a) the numerator of which is equal to the amount due to the respective owners of the Series 2010H Bonds on a payment date and (b) the denominator of which is equal to the total original par amount of Series 2010H Bonds.

It is the Authority's intent that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, neither the Authority nor the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of the Series 2010H Bonds on such basis.

If the Series 2010H Bonds are not registered in book-entry form and if fewer than all of a maturity of the Series 2010H Bonds bearing the same interest rate are to be redeemed, the particular Series 2010 Bonds of such maturity and bearing such interest rate to be redeemed will be selected on a pro rata basis, provided that any such redemption must be performed such that all Series 2010H Bonds remaining outstanding will be in authorized denominations.

## **PART 6—THE PROJECTS**

The Series 2010 Bonds are being issued for the purposes of financing Authorized Purposes (as such term is defined in the General Resolution).

The Series 2010E Bonds are being issued to finance capital projects of SUNY educational and hospital facilities, SUNY Upstate Community College facilities, CUNY senior college facilities and community college facilities, grants under the EXCEL program, grants to libraries, State and voluntary agency facilities for OMH, OPWDD, OASAS and economic development grants under various programs, including but not limited to: CCAP, NYEDAP, NYSCAP, NYEDCP, NYEDP, RED and TAD and other individual projects.

The Series 2010F Bonds are being issued to finance voluntary agency facilities for OMH.

The Series 2010G Bonds are being issued to finance economic development grants under various programs, including but not limited to: NYSCAP, NYEDCP, TAD, RED, NYEDAP, SIP and the Advanced Energy Research and Technology Center facility at SUNY Stony Brook.

The Series 2010H Bonds are being issued to finance capital projects of SUNY educational and hospital facilities, CUNY senior college facilities and community college facilities and SUNY Upstate Community College facilities.

Additionally, all or a portion of the cost of issuance of the Series 2010 Bonds will be financed with the proceeds of the related Series of Bonds. **The Series 2010 Bonds are not secured by the Projects or any interest therein.**

## **PART 7—BOOK-ENTRY ONLY SYSTEM**

Beneficial ownership interests in the Authority's bonds and notes will be available in book-entry only form. Purchasers of beneficial ownership interests in the Authority's bonds and notes will not receive certificates representing their interests in the securities purchased. Purchasers may hold beneficial interests in the Series 2010E Bonds, the Series 2010F Bonds and the Series 2010G Bonds in the United States through DTC. Purchasers may hold beneficial interests in the Series 2010H Bonds in the United States through DTC and in Europe through Clearstream Banking, société anonyme, or the Euroclear System.

### **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 2010 Bonds. References to the Series 2010 Bonds under this caption “Book-Entry Only System” shall mean all Series 2010 Bonds, the beneficial interests in which are owned in the United States. The Series 2010 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2010 Bond certificate will be issued for each maturity bearing interest at the same rate of each series of the Series 2010 Bonds and will be deposited with DTC.

DTC is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. 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”). 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

To facilitate subsequent transfers, all Series 2010 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 2010 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 2010 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2010 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 2010 Bonds within a stated maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series to be redeemed.

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

Principal, redemption premium, if any, and interest payments on the Series 2010 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on 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, redemption 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 will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2010 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2010 Bonds, giving any notice permitted or required to be given to registered owners under the Resolutions, registering the transfer of the Series 2010 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Authority and the Trustee shall not have any responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the Series 2010 Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Authority (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Series 2010 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Authority; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to any series of the Series 2010 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 2010 Bond certificates 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 2010 Bonds. In that event, Series 2010 Bond certificates will be printed and delivered to DTC.

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

Each person for whom a Participant acquires an interest in the Series 2010 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 of 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 OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2010 BONDS.

So long as Cede & Co. is the registered owner of the Series 2010 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2010 Bonds (other than under the caption "PART 12 – TAX MATTERS" and "PART 18 – CONTINUING DISCLOSURE" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2010 Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they will be sent by the Trustee to DTC only.

For every transfer and exchange of Series 2010 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.

NEITHER THE AUTHORITY NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2010 BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 2010 BONDHOLDERS UNDER THE RESOLUTIONS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A SERIES 2010 BONDHOLDER; (5) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2010 BONDS; OR (6) ANY OTHER MATTER.

### **Global Settlement Procedures**

Reference to the Series 2010H Bonds under this caption, "Global Settlement Procedures" shall mean the Series 2010H Bonds, the beneficial interests in which are owned in Europe. The Series 2010H Bonds initially will be registered in the name of Cede & Co. as registered owner and nominee for DTC, which will act as securities depository for the Series 2010H Bonds. Purchases of the Series 2010H Bonds will be in book-entry form only. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depositories, which, in turn, hold such positions in customers' securities

accounts in the U.S. Depositories' names on the books of DTC. Citibank, N.A. acts as the U.S. Depository for Clearstream and JPMorgan Chase Bank acts as the U.S. Depository for Euroclear.

### *Clearstream*

Clearstream Banking, société anonyme, 42 Avenue J.F. Kennedy, L-1855 Luxembourg (“*Clearstream, Luxembourg*”) is successor in name to Cedel Bank S.A. Clearstream Luxembourg is a wholly-owned subsidiary of Clearstream International S.A. On January 1, 1995, Clearstream, Luxembourg was granted a banking license in Luxembourg.

Clearstream International S.A., which is domiciled in Luxembourg, is as from June 2009, 51% owned by Clearstream Holding AG and 49% owned by Deutsche Börse Clearing (“DBAG”).

Clearstream Holding AG is domiciled in Germany and wholly owned by DBAG. DBAG is a publicly held company organized under German law and traded on the Frankfurt Stock Exchange.

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in many countries through established depository and custodial relationships.

Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier (“CSSF”), which supervises Luxembourg banks. Since February 12, 2001, Clearstream, Luxembourg has also been supervised by the Central Bank of Luxembourg according to the Settlement Finality Directive Implementation of January 12, 2001, following the official notification to the regulators of the Clearstream, Luxembourg’s role as payment system provider operating a securities settlement system. Clearstream, Luxembourg’s customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear Bank S.A./N.V. as the Operator of the Euroclear System (the “*Euroclear Operator*”) in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

Clearstream Banking AG, which is domiciled in Germany, is a fully-owned subsidiary of Clearstream International. Clearstream Banking AG provides clearing and settlement services for the German domestic and international market.

### *Euroclear*

Euroclear Bank S.A./N.V. (“*Euroclear Bank*”) holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Participants, as defined in the Terms and Conditions Governing Use of Euroclear, as amended from time to time (the “Terms and Conditions”), and between Euroclear Participants and Participants of certain other securities intermediaries through electronic book-entry changes in accounts of such Participants or other securities intermediaries. Euroclear Bank provides Euroclear Participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear Participants are investment banks, securities brokers and



dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations. Certain of the managers or underwriters for this offering, or other financial entities involved in this offering, may be Euroclear Participants. Non-Participants in the Euroclear System may hold and transfer book-entry interests in the securities through accounts with a Participant in the Euroclear System or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear Bank.

Clearance and Settlement. Although Euroclear Bank has agreed to the procedures provided below in order to facilitate transfers of securities among Participants in the Euroclear System, and between Euroclear Participants and Participants of other intermediaries, it is under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time.

Initial Distribution. Investors electing to acquire securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of new issues of securities. Securities to be acquired against payment through an account with Euroclear Bank will be credited to the securities clearance accounts of the respective Euroclear Participants in the securities processing cycle for the business day following the settlement date for value as of the settlement date, if against payment.

Secondary Market. Investors electing to acquire, hold or transfer securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of secondary market transactions in securities. Euroclear Bank will not monitor or enforce any transfer restrictions with respect to the securities offered herein.

Custody. Investors who are Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with Euroclear Bank. Investors who are not Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with a securities intermediary who holds a book-entry interest in the securities through accounts with Euroclear Bank.

Custody Risk. Investors that acquire, hold and transfer interests in the securities by book-entry through accounts with Euroclear Bank or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the individual securities.

Euroclear Bank has advised as follows:

Under Belgian law, investors that are credited with securities on the records of Euroclear Bank have a co-property right in the fungible pool of interests in securities on deposit with Euroclear Bank in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear Bank, Euroclear Participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear Bank. If Euroclear Bank did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all Participants credited with such interests in securities on Euroclear Bank's records, all Participants having an amount of interests in securities of such type credited to their accounts with Euroclear Bank would have the right under Belgian law to the return of their pro-rata share of the amount of interests in securities actually on deposit.

Under Belgian law, Euroclear Bank is required to pass on the benefits of ownership in any interests in securities on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records.

Initial Settlement; Distributions; Actions on Behalf of the Owners. All of the Series 2010H Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depository, which, in turn, holds such positions in customers' securities accounts in its U.S. Depository's name on the books of DTC. Citibank, N.A. acts as depository for Clearstream and JPMorgan Chase Bank acts as depository for Euroclear (the "*U.S. Depositories*"). Holders of the Series 2010H Bonds may hold their Bonds through DTC (in the United States) or Clearstream or Euroclear (in Europe) if they are participants of such systems, or directly through organizations that are participants in such systems. Investors electing to hold their Bonds through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional EuroBonds in registered form. Securities will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Distributions with respect to the Series 2010H Bonds held beneficially through Clearstream will be credited to the cash accounts of Clearstream customers in accordance with its rules and procedures, to the extent received by its U.S. Depository. Distributions with respect to the Series 2010H Bonds held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by its U.S. Depository. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations.

Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by an owner of the Series 2010H Bonds on behalf of a Clearstream customer or Euroclear Participant only in accordance with the relevant rules and procedures and subject to the U.S. Depository's ability to effect such actions on its behalf through DTC.

Procedures May Change. Although DTC, Clearstream and Euroclear have agreed to these procedures in order to facilitate transfers of securities among DTC and its Participants, Clearstream and Euroclear, they are under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by any of them.

Secondary Market Trading. Secondary market trading between Participants (other than U.S. Depositories) will be settled using the procedures applicable to U.S. corporate debt obligations in same-day funds. Secondary market trading between Euroclear Participants and/or Clearstream customers will be settled using the procedures applicable to conventional EuroBonds in same-day funds. When securities are to be transferred from the account of a Participant (other than U.S. Depositories) to the account of a Euroclear Participant or a Clearstream customer, the purchaser must send instructions to the applicable U.S. Depository one business day before the settlement date. Euroclear or Clearstream, as the case may be, will instruct its U.S. Depository to receive securities against payment. Its U.S. Depository will then make payment to the Participant's account against delivery of the securities. After settlement has been completed, the securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear Participant's or Clearstream customers' accounts. Credit for the securities will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Series 2010H Bonds will accrue from the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the

intended value date (i.e., the trade fails), the Euroclear or Clearstream cash debit will be valued instead as of the actual settlement date.

Euroclear Participants and Clearstream customers will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream. Under this approach, they may take on credit exposure to Euroclear or Clearstream until the securities are credited to their accounts one day later. As an alternative, if Euroclear or Clearstream has extended a line of credit to them, participants/customers can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear Participants or Clearstream customers purchasing securities would incur overdraft charges for one day, assuming they cleared the overdraft when the securities were credited to their accounts. However, interest on the securities would accrue from the value date. Therefore, in many cases, the investment income on securities earned during that one day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's/customer's particular cost of funds. Because the settlement is taking place during New York business hours, Participants can employ their usual procedures for sending securities to the applicable U.S. Depository for the benefit of Euroclear Participants or Clearstream customers. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the participant, a cross-market transaction will settle no differently from a trade between two participants.

Due to time zone differences in their favor, Euroclear Participants and Clearstream customers may employ their customary procedure for transactions in which securities are to be transferred by the respective clearing system, through the applicable U.S. Depository to another participant's. In these cases, Euroclear will instruct its U.S. Depository to credit the securities to the participant's account against payment. The payment will then be reflected in the account of the Euroclear Participant or Clearstream customer the following business day, and receipt of the cash proceeds in the Euroclear Participant's or Clearstream customers' accounts will be back valued to the value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear Participant or Clearstream customer has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over that one day period.

If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear Participant's or Clearstream customer's accounts would instead be valued as of the actual settlement date.

THE AUTHORITY AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS (WITH RESPECT TO THE SERIES 2010H BONDS) WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2010H BONDS: (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE SERIES 2010H BONDS; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SERIES 2010H BONDS; OR (3) NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2010H BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS. THE AUTHORITY AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE AUTHORITY AND THE UNDERWRITERS WILL HAVE NO RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR, EUROCLEAR PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE SERIES 2010H BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM CUSTOMERS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE RESOLUTIONS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE SERIES 2010H BONDS.

THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT CONCERNING DTC, CLEARSTREAM AND EUROCLEAR AND THEIR BOOK-ENTRY SYSTEMS HAS BEEN OBTAINED FROM DTC, CLEARSTREAM AND EUROCLEAR, RESPECTIVELY, AND NEITHER THE AUTHORITY NOR THE UNDERWRITERS MAKE ANY REPRESENTATIONS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

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## PART 8—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 2010 Bonds, for the payment of debt service on outstanding State Personal Income Tax Revenue Bonds and the aggregate total during each such period.

12-Month Period Ending March 31	Series 2010 Bonds			Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service <sup>(1)(2)(3)</sup>	Aggregate Debt Service <sup>(1)(2)(3)</sup>
	Principal Payments	Interest Payments	Total Debt Service		
2011	\$27,300,000	\$23,401,537	\$ 50,701,537	\$1,799,811,556	\$ 1,850,513,093
2012	49,310,000	60,982,533	110,292,533	1,788,002,210	1,898,294,744
2013	50,920,000	59,378,811	110,298,811	1,736,558,806	1,846,857,618
2014	52,690,000	57,585,785	110,275,785	1,676,767,913	1,787,043,698
2015	54,155,000	56,145,283	110,300,283	1,631,260,969	1,741,561,253
2016	56,300,000	53,986,428	110,286,428	1,570,401,454	1,680,687,883
2017	58,725,000	51,581,561	110,306,561	1,552,560,334	1,662,866,895
2018	61,320,000	48,972,582	110,292,582	1,507,071,680	1,617,364,263
2019	64,075,000	46,217,448	110,292,448	1,446,417,807	1,556,710,255
2020	67,075,000	43,222,812	110,297,812	1,388,312,530	1,498,610,342
2021	35,745,000	40,099,253	75,844,253	1,331,784,904	1,407,629,158
2022	35,860,000	38,455,041	74,315,041	1,317,148,777	1,391,463,818
2023	12,750,000	36,786,987	49,536,987	1,330,363,289	1,379,900,277
2024	13,365,000	36,170,437	49,535,437	1,279,641,440	1,329,176,878
2025	38,515,000	35,502,187	74,017,187	1,234,982,609	1,308,999,797
2026	38,010,000	33,508,161	71,518,161	1,246,298,634	1,317,816,796
2027	39,430,000	31,621,366	71,051,366	1,124,089,810	1,195,141,177
2028	40,985,000	29,574,119	70,559,119	1,138,442,416	1,209,001,536
2029	42,615,000	27,447,521	70,062,521	856,619,598	926,682,120
2030	44,305,000	25,235,736	69,540,736	689,265,441	758,806,177
2031	39,510,000	22,945,311	62,455,311	620,922,433	683,377,745
2032	41,030,000	20,833,097	61,913,097	615,944,229	677,857,326
2033	42,600,000	18,741,877	61,341,877	574,317,612	635,659,489
2034	44,230,000	16,519,065	60,749,065	532,268,895	593,017,960
2035	45,940,000	14,178,339	60,118,339	501,331,093	561,449,432
2036	40,885,000	11,747,581	52,632,581	432,387,663	485,020,245
2037	42,385,000	9,564,867	51,949,867	321,820,585	373,770,452
2038	43,970,000	7,302,309	51,272,309	254,270,558	305,542,867
2039	45,580,000	4,955,444	50,535,444	167,828,023	218,363,468
2040	47,280,000	2,522,925	49,802,925	38,158,560	87,961,486
<b>Total<sup>(3)</sup></b>	<b>\$1,316,860,000</b>	<b>\$965,236,419</b>	<b>\$2,282,096,419</b>	<b>\$31,705,051,826</b>	<b>\$33,987,148,247</b>

- (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) Totals may not add due to rounding.

**PART 9—ESTIMATED SOURCES AND USES OF FUNDS**

**Series 2010E Bonds**

The following table sets forth the estimated sources and uses of funds with respect to the Series 2010E Bonds:

Sources of Funds	
Principal amount of Series 2010E Bonds .....	\$562,510,000.00
Net Original Issue Premium .....	<u>64,896,515.05</u>
Total Sources .....	<u>\$627,406,515.05</u>
Uses of Funds	
Deposit to Bond Proceeds Fund .....	\$619,016,468.76
Costs of Issuance* .....	5,850,073.40
Underwriters' Discount .....	<u>2,539,972.89</u>
Total Uses .....	<u>\$627,406,515.05</u>

\* Includes New York State Bond Issuance Charge

**Series 2010F Bonds**

The following table sets forth the estimated sources and uses of funds with respect to the Series 2010F Bonds:

Sources of Funds	
Principal amount of Series 2010F Bonds .....	\$55,490,000.00
Net Original Issue Premium .....	<u>4,614,914.75</u>
Total Sources .....	<u>\$60,104,914.75</u>
Uses of Funds	
Deposit to Bond Proceeds Fund .....	\$58,804,429.00
Costs of Issuance* .....	1,028,087.42
Underwriters' Discount .....	<u>272,398.33</u>
Total Uses .....	<u>\$60,104,914.75</u>

\* Includes New York State Bond Issuance Charge

**Series 2010G Bonds**

The following table sets forth the estimated sources and uses of funds with respect to the Series 2010G Bonds:

Sources of Funds	
Principal amount of Series 2010G Bonds .....	\$149,455,000.00
Total Sources .....	<u>\$149,455,000.00</u>
Uses of Funds	
Deposit to Bond Proceeds Fund .....	\$147,516,435.00
Costs of Issuance* .....	1,318,152.42
Underwriters' Discount .....	<u>620,412.58</u>
Total Uses .....	<u>\$149,455,000.00</u>

\* Includes New York State Bond Issuance Charge

**Series 2010H Bonds**

The following table sets forth the estimated sources and uses of funds with respect to the Series 2010H Bonds:

Sources of Funds	
Principal amount of Series 2010H Bonds.....	\$549,405,000.00
Total Sources .....	<u>\$549,405,000.00</u>
Uses of Funds	
Deposit to Bond Proceeds Fund .....	\$541,237,570.24
Costs of Issuance* .....	4,797,265.55
Underwriters' Discount.....	<u>3,370,164.21</u>
Total Uses .....	<u>\$549,405,000.00</u>

\* Includes New York State Bond Issuance Charge

**PART 10—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, 2010, the Authority had approximately \$42.3 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, 2010 were as follows:



<b>Public Programs</b>	<b>Bonds Issued</b>	<b>Bonds Outstanding</b>	<b>Notes Outstanding</b>	<b>Bonds and Notes Outstanding</b>
State University of New York Dormitory Facilities.....	\$ 2,478,656,000	\$ 1,139,920,000	\$ 0	\$ 1,139,920,000
State University of New York Educational and Athletic Facilities.....	14,043,272,999	6,272,264,856	0	6,272,264,856
Upstate Community Colleges of the State University of New York.....	1,590,645,000	645,320,000	0	645,320,000
Senior Colleges of the City University of New York.....	10,401,851,762	3,204,031,213	0	3,204,031,213
Community Colleges of the City University of New York.....	2,501,993,350	496,208,787	0	496,208,787
BOCES and School Districts.....	2,785,881,208	2,164,585,000	0	2,164,585,000
Judicial Facilities.....	2,161,277,717	696,712,717	0	696,712,717
New York State Departments of Health and Education and Other.....	6,272,280,000	4,281,975,000	0	4,281,975,000
Mental Health Services Facilities.....	8,032,895,000	3,828,165,000	0	3,828,165,000
New York State Taxable Pension Bonds.....	773,475,000	0	0	0
Municipal Health Facilities Improvement Program.....	<u>1,146,845,000</u>	<u>760,220,000</u>	<u>0</u>	<u>760,220,000</u>
Totals Public Programs.....	<u>\$ 52,189,073,036</u>	<u>\$ 23,489,402,573</u>	<u>\$ 0</u>	<u>\$ 23,489,402,573</u>

<b>Non-Public Programs</b>	<b>Bonds Issued</b>	<b>Bonds Outstanding</b>	<b>Notes Outstanding</b>	<b>Bonds and Notes Outstanding</b>
Independent Colleges, Universities and Other Institutions.....	\$ 19,374,419,952	\$ 10,052,860,083	\$ 30,730,000	\$ 10,083,590,083
Voluntary Non-Profit Hospitals.....	14,542,754,309	7,915,685,000	0	7,915,685,000
Facilities for the Aged.....	2,010,975,000	778,615,000	0	778,615,000
Supplemental Higher Education Loan Financing Program.....	<u>95,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals Non-Public Programs.....	<u>\$ 36,023,149,261</u>	<u>\$ 18,747,160,083</u>	<u>\$ 30,730,000</u>	<u>\$ 18,777,890,083</u>
Grand Totals Bonds and Notes.....	<u>\$ 88,212,222,297</u>	<u>\$ 42,236,562,656</u>	<u>\$ 30,730,000</u>	<u>\$ 42,267,292,656</u>

### Outstanding Indebtedness of the Agency Assumed by the Authority

At September 30, 2010, the Agency had approximately \$304.6 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, 2010 were as follows:

<b>Public Programs</b>	<b>Bonds Issued</b>	<b>Bonds Outstanding</b>
Mental Health Services Improvement Facilities.....	<u>\$ 3,817,230,725</u>	<u>\$ 0</u>
<b>Non-Public Programs</b>	<b>Bonds Issued</b>	<b>Bonds Outstanding</b>
Hospital and Nursing Home Project Bond Program.....	\$ 226,230,000	\$ 2,880,000
Insured Mortgage Programs.....	6,625,079,927	294,625,000
Revenue Bonds, Secured Loan and Other Programs.....	<u>2,414,240,000</u>	<u>7,045,000</u>
Total Non-Public Programs.....	<u>\$ 9,265,549,927</u>	<u>\$ 304,550,000</u>
Total MCFFA Outstanding Debt.....	<u>\$ 13,082,780,652</u>	<u>\$ 304,550,000</u>

## Governance

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

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

The current members of the Authority are as follows:

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

Alfonso L. Carney, Jr. was appointed as a Member of the Authority by the Governor on May 20, 2009. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical and legal consulting services in New York City. Consulting for the firm in 2005, he served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he directed overall staff management of the foundation, and provided strategic oversight of the administration, communications and legal affairs teams, and developed selected foundation program initiatives. Prior to this, Mr. Carney held several positions with Altria Corporate Services, Inc., most recently as Vice President and Associate General Counsel for Corporate and Government Affairs. Prior to that, Mr. Carney served as Assistant Secretary of Philip Morris Companies Inc. and Corporate Secretary of Philip Morris Management Corp. For eight years, Mr. Carney was Senior International Counsel first for General Foods Corporation and later for Kraft Foods, Inc. and previously served as Trade Regulation Counsel, Assistant Litigation Counsel and Federal Government Relations Counsel for General Foods, where he began his legal career in 1975 as a Division Attorney. Mr. Carney is a trustee of Trinity College, the University of Virginia Law School Foundation, the Riverdale Country School and the Virginia Museum of Fine Arts in Richmond. In addition, he is a trustee of the Burke Rehabilitation Hospital in White Plains. Mr. Carney holds a Bachelors degree in Philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His current term expires on March 31, 2013.

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

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on June 20, 2007. Mr. Johnson is Chairman of the Board and Chief Executive Officer of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He is director of the New York Newspapers Foundation, a member of the Development Authority of the North Country and the Fort Drum Regional Liaison Committee, a trustee of Clarkson University and president of the Bugbee Housing Development Corporation. Mr. Johnson has been a member of the American Society of Newspaper Editors since 1978,

and was a Pulitzer Prize juror in 1978, 1979, 2001 and 2002. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2013.

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

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

CHARLES G. MOERDLER, Esq., New York.

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

ANTHONY B. MARTINO, CPA, Buffalo.

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

in accounting from the University at Buffalo. Mr. Martino's term expired on August 31, 2010 and by law he continues to serve until a successor shall be chosen and qualified.

SANDRA M. SHAPARD, Delmar.

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

GERARD ROMSKI, Esq., Mount Kisco.

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

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

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

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

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

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

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

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

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

The principal staff of the Authority is as follows:

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

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

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

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

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

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

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

### **Claims and Litigation**

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

### **Other Matters**

#### *New York State Public Authorities Control Board*

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

### *Legislation*

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

### *Environmental Quality Review*

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

### *Independent Auditors*

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

## **PART 11—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 Resolution includes 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 Resolution 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 12—TAX MATTERS**

### **Series 2010E Bonds**

#### *General*

In the opinions of Sidley Austin LLP and Hawkins Delafield & Wood LLP, co-bond counsel in connection with the Series 2010E Bonds, Series 2010G Bonds and Series 2010H Bonds (collectively, "Co-Bond Counsel"), under current law or existing statutes and court decisions, as applicable, and assuming compliance with certain tax covenants described herein and the documents pertaining to the Series 2010E Bonds, (i) interest on the Series 2010E Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2010E Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In



rendering such opinions, Co-Bond Counsel have relied on certain representations, undertakings, certifications of fact and statements of reasonable expectations made by the Authority, the New York State Department of Mental Hygiene (“DMH”), each voluntary agency receiving a loan from the Authority financed with proceeds of the Series 2010E Bonds, the State University of New York (“SUNY”), the State University Construction Fund (“SUCF”), the City University of New York (“CUNY”), the City University Construction Fund (“CUCF”), the New York State Department of Education (“SED”) and others, and Co-Bond Counsel have assumed compliance by the Authority, DMH, each voluntary agency receiving a loan from the Authority financed with proceeds of the Series 2010E Bonds, SUNY, SUCF, CUNY, CUCF, SED and such others with certain ongoing covenants to carry out such undertakings and comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2010E Bonds from gross income under Section 103 of the Code. Co-Bond Counsel will not independently verify the accuracy of those representations, certifications of fact and statements of reasonable expectations. Furthermore, in rendering such opinions, Sidley Austin LLP has assumed, without independent investigation, the correctness of the opinion of Hawkins Delafield & Wood LLP delivered in connection with the issuance of the Series 2010F Bonds that the interest on the Series 2010F Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, Sidley Austin LLP renders no opinion with respect to the effect of exclusion from gross income of the interest on the Series 2010E Bonds for Federal income tax purposes of any action taken or not taken with respect to the Series 2010F Bonds.

Under current law, Co-Bond Counsel are of the opinion that the interest on the Series 2010E 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 Code contains other provisions, (some of which are noted below) that could result in tax consequences, upon which no opinion will be rendered by Co-Bond Counsel, as a result of (i) ownership of the Series 2010E Bonds or (ii) the inclusion in certain computations of interest that is excluded from gross income.

#### *Certain Ongoing Federal Tax Requirements and Covenants*

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2010E Bonds in order that interest on the Series 2010E Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2010E Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the United States Treasury. Noncompliance with such requirements may cause interest on the Series 2010E Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority has covenanted in the Series 2010 Supplemental Resolutions, and will covenant in its Tax Certificate to be executed and delivered in connection with the issuance of the Series 2010E Bonds, to comply with applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2010E Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. The State has agreed in the Financing Agreement that if the Authority is required to pay over or rebate to the United States any investment earnings with respect to the Series 2010E 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 Series 2010E Bonds from gross income for Federal income tax purposes. In addition, DMH, each voluntary agency receiving a loan from the Authority financed with proceeds of the Series 2010E Bonds, SUNY, SUCF, CUNY, CUCF SED and others have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2010E Bonds from gross income under Section 103 of the Code. Neither Sidley Austin LLP nor Hawkins Delafield & Wood LLP expresses any opinion of the effect of any action hereafter taken or

not taken in reliance upon the advice or an opinion of counsel other than such respective firm on the exclusion from gross income for Federal income tax purposes of interest on the Series 2010E Bonds, or the exemption from personal income taxes of interest on the Series 2010E Bonds under State and local tax law.

#### *Certain Collateral Federal Tax Consequences*

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2010E Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2010E Bond.

Prospective investors of the Series 2010E Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of taxpayers, including, without limitation, financial institutions, property and casualty and life insurance companies, certain foreign corporations doing 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 indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Prospective investors of the Series 2010E Bonds should consult their tax advisors as to the applicability of any such collateral consequences. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2010E Bonds.

#### *Original Issue Discount*

The excess, if any, of the sum of all amounts payable at maturity of any maturity of the Series 2010E Bonds (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) purchased as part of the initial public offering over the issue price thereof constitutes original issue discount (“OID”). In general, the issue price of a maturity of the Series 2010E Bonds is the first price at which a substantial amount of Series 2010E 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). Co-Bond Counsel is of the opinion, under current law, that the amount of OID that has accrued and is properly allocable to an owner of any maturity of the Series 2010E Bonds with OID (the “Discount Bonds”), will be excluded from gross income for Federal income tax purposes to the same extent as interest on the Series 2010E Bonds.

In general, OID on a Discount Bond accrues in accordance with a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’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. Accrued OID that accrues in each year to an owner of a Discount Bond may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will be no corresponding cash payment. For example, accrued OID 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 OID in each year may result in additional distribution requirements or other collateral Federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such OID in such year.

The accrual of OID 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 Series 2010E 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 own tax advisors with respect to the treatment of OID for Federal income tax purposes, including determination for Federal income tax purposes of the amount of OID 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.

#### *Bond Premium*

The excess, if any, of the tax adjusted basis of the Series 2010E Bonds purchased as part of the initial public offering to an owner (other than a purchaser who holds such Series 2010E 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.” In general, bond premium is amortized over the term of such Series 2010E Bonds for Federal income tax purposes in accordance with constant yield principles based on the owner’s yield over the remaining term of such Series 2010E Bonds (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 Series 2010E Bonds with bond premium (“Series 2010E Premium Bonds”) are required to decrease their adjusted basis in such Series 2010E Premium Bonds by the amount of amortizable bond premium attributable to each taxable year such Series 2010E Bonds are held. An owner of a Series 2010E Premium Bond may not deduct bond premium amortized in any interest accrual period, and must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. If the amortizable bond premium on Series 2010E Premium Bonds attributable to an interest accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a non-deductible loss. Under certain circumstances, the owner of a Series 2010E Premium Bond may realize a taxable gain upon disposition of the Series 2010 Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Series 2010E Premium Bonds should consult their own tax advisors with respect to the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto and with respect to the state and local tax consequences of acquiring, owning and disposing of such Series 2010E Premium Bonds.

#### *Backup Withholding*

Interest paid on the Series 2010E Bonds will be subject to information reporting requirements in a manner similar to interest paid on taxable obligations. Although such reporting requirements do not, in and of themselves, affect the excludability of such interest from gross income for Federal income tax purposes, such reporting requirement causes the payment of interest on the Series 2010E Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (i) are not “exempt recipients,” and (ii) 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.

If an owner purchasing a Series 2010E Bond through a brokerage account has executed a Form W-9, “Request for Taxpayer Identification Number and Certification”, in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

## Series 2010F Bonds

### *General*

In the opinion of Hawkins Delafield & Wood LLP, bond counsel in connection with the Series 2010F Bonds (“Series 2010F Bond Counsel”), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2010F Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, except that no opinion is expressed as to such exclusion of interest on the Series 2010F Bonds held by any person who, within the meaning of section 147(a) of the Code, is a “substantial user” of the facilities financed with proceeds of the Series 2010F Bonds or a “related person”, (ii) interest on the Series 2010F Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering its opinion, Series 2010F Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, the Department, each voluntary agency receiving a loan from the Authority made with proceeds of the Series 2010F Bonds and others, and Series 2010F Bond Counsel has assumed compliance by the Authority, the Department, each voluntary agency receiving a loan from the Authority made with proceeds of the Series 2010F Bonds and others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2010F Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Series 2010F Bond Counsel, under existing statutes, interest on the Series 2010F Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Series 2010F Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2010F Bonds. Series 2010F Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Series 2010F Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2010F Bonds, or under state and local tax law.

### *Certain Ongoing Federal Tax Requirements and Covenants*

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2010F Bonds in order that interest on the Series 2010F Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2010F Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2010F Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority, the Department, each voluntary agency receiving a loan from the Authority made with proceeds of the Series 2010F Bonds and others have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2010F Bonds from gross income under Section 103 of the Code.

Under applicable provisions of the Code, the exclusion from gross income of interest on the Series 2010F Bonds for purposes of Federal income taxation requires that (i) at least 25% of the units in each Voluntary Agency Facility financed by the Series 2010F Bonds be occupied during the “Qualified

Project Period” (defined below) by individuals whose incomes, determined in a manner consistent with Section 8 of the United States Housing Act of 1937, as amended, do not exceed 60% of the median income for the area, as adjusted for family size, and (ii) all of the units of each such Voluntary Agency Facility be rented or available for rental on a continuous basis during the Qualified Project Period. “Qualified Project Period” for each such Voluntary Agency Facility means a period commencing upon the later of (a) occupancy of 10% of the units in each such Voluntary Agency Facility or (b) the date of issue of the Series 2010F Bonds and running until the later of (i) the date which is 15 years after occupancy of 50% of the units in each such Voluntary Agency Facility, (ii) the first date on which no tax-exempt private activity bonds issued with respect to each such Voluntary Agency Facility are outstanding or (iii) the date on which any assistance provided with respect to such Voluntary Agency Facility under Section 8 of the 1937 Housing Act terminates. Each such Voluntary Agency Facility will meet the continuing low income requirement as long as the income of the individuals occupying the unit does not increase to more than 140% of the applicable limit. Upon an increase over 140% of the applicable limit, the next available unit of comparable or smaller size in the Voluntary Agency Facility must be rented to an individual having an income of 60% or less of the area median income, as adjusted for family size.

In the event of noncompliance with the requirements described in the preceding paragraph arising from events occurring after the issuance of the Series 2010F Bonds, Treasury Regulations provide that the exclusion of interest from gross income for Federal income tax purposes will not be impaired if the Authority takes appropriate corrective action within a reasonable period of time after such noncompliance is first discovered or should have been discovered by the Authority.

#### *Certain Collateral Federal Tax Consequences*

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2010F Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2010F Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2010F Bonds.

Prospective owners of the Series 2010F Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on Series 2010F Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

#### *Original Issue Discount*

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Series 2010F Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Series 2010F Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Series 2010F Bonds is expected to be the initial public offering price set forth on the inside cover pages of the Official Statement. Series 2010F Bond Counsel further is of the opinion that, for any Series 2010F Bonds having OID (the “Discount Bonds”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Series 2010F Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of the Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of the Discount Bonds.

### *Bond Premium*

In general, if an owner acquires a Series 2010F Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2010F Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond 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). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

### *Information Reporting and Backup Withholding*

Information reporting requirements apply to interest (including OID) on tax-exempt obligations, including the Series 2010F Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification", or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2010F Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2010F Bonds from gross income for Federal income tax purposes. Any amounts

withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

*Miscellaneous*

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2010F Bonds under Federal or state law and could affect the market price or marketability of the Series 2010F Bonds. There can be no assurance that any such legislation, actions or decisions, if ever enacted, taken or rendered following the issuance of the Series 2010F Bonds, will not have an adverse effect on the tax exempt status, market price or marketability of the Series 2010F Bonds.

Prospective purchasers of the Series 2010F Bonds should consult their own tax advisors regarding the foregoing matters.

Sidley Austin LLP has not been requested to review, and has not reviewed, any matter or conducted any investigation or examination relating to the Federal, state or local tax consequences of the ownership or disposition of, or the accrual or receipt of interest on, the Series 2010F Bonds, and renders no opinion with respect to the Series 2010F Bonds.

**Series 2010G Bonds and Series 2010H 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 2010G Bonds and Series 2010H Bonds (collectively, the "Taxable 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 Taxable 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*

The following is a summary of the principal U.S. Federal income tax consequences of the purchase, ownership and disposition of the Taxable Bonds. This discussion does not purport to be a complete analysis of all the potential tax consequences of such purchase, ownership and disposition and is based upon the Code, Treasury regulations (whether final, temporary or proposed), and rulings and judicial decisions in effect as of the date hereof. Those laws are subject to change, possibly with retroactive effect. This summary does not discuss all aspects of U.S. Federal income taxation that may be relevant to a particular investor in light of that investor's individual circumstances or to certain types of investors subject to special treatment under the U.S. Federal income tax laws (including persons whose functional currency is not the U.S. dollar, entities classified as partnerships for U.S. Federal income tax purposes, life insurance companies, regulated investment companies, real estate investment trusts, dealers in securities or currencies, banks, tax-exempt organizations or persons holding the Taxable Bonds in a tax-deferred or tax-advantaged account, traders in securities that elect to use a mark-to-market method of accounting for securities holdings, persons who hold the Taxable Bonds as part of a hedging, straddle, integrated, conversion or constructive sale transaction, persons who have ceased to be U.S. citizens or to be taxed as resident aliens or persons liable for the alternative minimum tax) and does not discuss any aspect of state, local or foreign tax laws. This discussion applies only to U.S. holders and non-U.S. holders (each defined below) of the Taxable Bonds who purchase their Taxable Bonds in the original

offering at the original offering price, and who hold their Taxable Bonds as capital assets. This discussion does not address any tax consequences applicable to a holder of an equity interest in a holder of the Taxable Bonds. In particular, this discussion does not address any tax consequences applicable to a partner in a partnership holding the Taxable Bonds. If a partnership holds the Taxable Bonds, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Thus, a person who is a partner in a partnership holding the Taxable Bonds should consult his or her own tax advisor.

This summary only addresses the Taxable Bonds with the features described herein.

**Prospective investors are urged to consult their own tax advisors with respect to the U.S. Federal and other tax consequences of the purchase, ownership and disposition of the Taxable Bond as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction before determining whether to purchase the Taxable Bonds.**

In this discussion, the term “U.S. Holder” means a beneficial owner of the Taxable Bonds 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) that is 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, or (iv) a trust if (a) 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 (b) such trust was in existence on August 20, 1996 and properly elected to continue to be treated as a United States person. As used herein, the term “non-U.S. Holder” means a beneficial owner of the Taxable Bonds that is not a U.S. Holder.

#### *U.S. Holders*

*Interest on Taxable Bonds.* Payments of interest on the Taxable Bonds will be included in gross income for U.S. Federal income tax purposes by a U.S. Holder as ordinary income at the time the interest is paid or accrued in accordance with the U.S. Holder’s regular method of accounting for tax purposes, provided such interest is “qualified stated interest,” as defined below

In the opinion of Co-Bond Counsel, under current law, interest on the Taxable Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York and the City of Yonkers).

*Original Issue Discount.* The following summary is a general discussion of the United States Federal income tax consequences to U.S. Holders of the purchase, ownership and disposition of the Taxable Bonds issued with OID, if any (“OID Bonds”) for U.S. Federal income tax purposes. The following summary is based upon final Treasury regulations (the “OID Regulations”) released by the Internal Revenue Service (“IRS”) under the OID provisions of the Code.

For United States Federal income tax purposes, OID is the excess of the stated redemption price at maturity of a bond over its issue price, if such excess equals or exceeds a specified de minimis amount. For purposes of the foregoing, (i) the issue price of each maturity of substantially identical Taxable Bonds equals the first price at which a substantial amount of such maturity of the Taxable 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), (ii) the stated redemption price at maturity of a Taxable Bond is the sum of all payments provided by such Taxable Bond other than “qualified stated interest” payments, (iii) 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,



and (iv) “de minimis amount” is an amount equal to  $\frac{1}{4}$  of 1% of the Taxable Bond’s stated redemption price at maturity multiplied by (a) the number of complete years to its maturity from its issue date or, (b) the weighted average maturity of such bond, in the case of a Taxable Bond that provides for the payment of any amount other than qualified stated interest (as defined above) prior to maturity.

A U.S. Holder of an OID Bond must include OID in income as ordinary interest for United States 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 OID included in income by the initial U.S. Holder of an OID Bond is the sum of the daily portions of OID with respect to such OID Bond for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder held such OID Bond. The “daily portion” of OID on any OID Bond is determined by allocating to each day in any accrual period a ratable portion of OID 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 OID 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 OID allocable to each accrual period is generally equal to the difference between (i) the product of the OID 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. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. Special rules apply for calculating OID for an initial short accrual period. The “adjusted issue price” of an OID Bond at the beginning of any accrual period is the sum of the issue price of the OID Bond plus the amount of OID allocable to all prior accrual periods minus the amount of any prior payments on the OID 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 OID in successive accrual periods.

A U.S. Holder who purchases an OID 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 OID Bond after the purchase date, other than payments of qualified stated interest, will be considered to have purchased the OID Bond at an “acquisition premium.” Under the acquisition premium rules, the amount of OID which such U.S. Holder must include in its gross income with respect to such OID Bond for any taxable year (or portion thereof in which the U.S. Holder holds the OID 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, OID, de minimis OID, 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 OID, 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.

*Acquisition Discount on Short-Term Taxable Bonds.* Each holder of a Taxable Bond with a maturity not longer than one year, is subject to rules of Sections 1281 through 1283 of the Code, if such holder is an accrual method taxpayer, bank, regulated investment company, common trust

fund or among certain types of pass-through entities, or if the taxable bond is held primarily for sale to customers, is identified under Section 1256(e)(2) of the Code as part of a hedging transaction, or is a stripped bond or coupon held by the person responsible for the underlying stripping transaction. In any such instance, interest on, and “acquisition discount” with respect to, a Taxable Bond with a maturity not longer than one year accrue on a ratable (straight-line) basis, subject to an election to accrue such interest and acquisition discount on a constant interest rate basis using daily compounding. “Acquisition discount” means the excess of the stated redemption price of a Taxable Bond with a maturity not longer than one year at maturity over the holder’s tax basis thereof.

A holder of a Taxable Bond with a maturity not longer than one year not described in the preceding paragraph, including a cash-method taxpayer, must report interest income in accordance with the holder’s regular method of tax accounting, unless such holder irrevocably elects to accrue acquisition discount currently.

*Market Discount.* If a U.S. Holder purchases a Taxable Bond, other than an OID 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 an OID 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 Taxable Bond at a “market discount,” unless the amount of such market discount is less than a specified de minimis amount. For this purpose, the “revised issue price” of a Taxable Bond generally equals its issue price, increased by the amount of any OID that has been accrued on such Taxable Bond and decreased by the amount of any payments previously made on such Taxable Bond that were not qualified stated interest payments.

Under the market discount rules, a U.S. Holder is required to treat any partial principal payment on, or, in the case of an OID Bond, any payment that does not constitute qualified stated interest, or any gain realized on the sale, exchange, retirement or other disposition of, a Taxable Bond as ordinary income to the extent of the lesser of (i) the amount of such payment or realized gain, or (ii) the amount of market discount that has not previously been included in gross income and is treated as having accrued on such Taxable 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 such Taxable 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 Taxable Bond with market discount until the maturity of such Taxable 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 semiannual compounding basis), in which case the rules described above regarding the treatment as ordinary income of gain upon the disposition of such Taxable 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 for U.S. Federal income tax purposes. Such an election will apply to all debt instruments held 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 Taxable Bond for an amount that is greater than the sum of all amounts payable on such Taxable Bond after the purchase date, other than payments of qualified stated interest, such U.S. Holder will be considered to have purchased such

Taxable 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 such Taxable Bond and may offset interest otherwise required to be included in respect of such Taxable Bond during any taxable year by the amortized amount of such premium for the taxable year. Bond premium on a Taxable 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 such Taxable Bond. However, if a Taxable 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 will apply that could result in a deferral of the amortization of a portion of the bond premium until later in the term of such Taxable Bond (as discussed in more detail below). 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. Under certain circumstances, the holder of a Taxable Bond with bond premium may realize a taxable gain upon disposition of such bond even though it is sold or redeemed for an amount less than or equal to the holder’s original acquisition cost.

The following rules apply to any Taxable Bond that may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity. The amount of amortizable bond premium attributable to such Taxable Bond is equal to the lesser of (i) the difference between (a) such U.S. Holder’s tax basis in the Taxable Bond and (b) the sum of all amounts payable on such Taxable Bond after the purchase date, other than payments of qualified stated interest or (ii) the difference between (a) such U.S. Holder’s tax basis in such Taxable Bond and (b) the sum of all amounts payable on such Taxable Bond after the purchase date due on or before the early call date, described below, other than payments of qualified stated interest. If a Taxable Bond may be redeemed on more than one date prior to maturity, the early call date and amount payable on the early call date that produces the lowest amount of amortizable bond premium, is the early call date and amount payable that is initially used for purposes of calculating the amount pursuant to clause (ii) of the previous sentence. If an early call date is not taken into account in computing premium amortization and the early call is in fact exercised, a U.S. Holder will be allowed a deduction for the excess of the U.S. Holder’s tax basis in the Taxable Bond over the amount realized pursuant to the redemption. If an early call date is taken into account in computing premium amortization and the early call is not exercised, the Taxable Bond will be treated as “reissued” on such early call date for the call price. Following the deemed reissuance, the amount of amortizable bond premium is recalculated pursuant to the rules of this Section. The rules relating to the Taxable Bonds that may be optionally redeemed are complex and, accordingly, prospective investors are urged to consult their own tax advisors regarding the application of the amortizable bond premium rules to their particular situation.

*Disposition of Taxable Bond.* Except as discussed above, upon the sale, exchange, redemption or retirement of a Taxable Bond, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange, redemption or retirement (other than amounts representing accrued and unpaid interest) of such Taxable Bond and such U.S. Holder’s adjusted tax basis in such Taxable Bond. A U.S. Holder’s adjusted tax basis in a Taxable Bond generally will equal such U.S. Holder’s initial investment in such Taxable Bond increased by 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 Taxable Bond. Such gain or loss generally will be long term capital gain or loss if the Taxable 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 gain will be subject to reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

### *Non-U.S. Holders*

A non-U.S. holder who is an individual or corporation (or an entity treated as a corporation for U.S. Federal income tax purposes) holding the Taxable Bonds on its own behalf will not be subject to U.S. Federal income tax on payments of principal of, or premium (if any), or interest on the Taxable Bonds, unless the non-U.S. holder is a controlled foreign corporation related to the Authority or a bank receiving interest described in section 881(c)(3)(A) of the Code. To qualify for the exemption from taxation, the Withholding Agent, as defined below, must have received a statement from the individual or corporation that:

- is signed under penalties of perjury by the beneficial owner of the Taxable Bonds,
- certifies that the owner is not a U.S. holder, and
- provides the beneficial owner's name and permanent residence address.

A "Withholding Agent" is the last U.S. payor (or non-U.S. payor who is a qualified intermediary, U.S. branch of a foreign person or withholding foreign partnership) in the chain of payment prior to payment to a non-U.S. holder (that itself is not a Withholding Agent). Generally, this statement is made on an IRS Form W-8BEN, which is effective for the remainder of the year of signature and three full calendar years thereafter, unless a change in circumstances makes any information on the form incorrect. Notwithstanding the preceding sentence, a Form W-8BEN with a U.S. taxpayer identification number will remain effective until a change in circumstances makes any information on the form incorrect, provided the Withholding Agent reports at least annually to the beneficial owner on IRS Form 1042-S. The beneficial owner must inform the Withholding Agent within 30 days of any change and furnish a new Form W-8BEN. A non-U.S. holder of Taxable Bonds that is not an individual or corporation (or an entity treated as a corporation for U.S. Federal income tax purposes) holding Taxable Bonds on its own behalf may have substantially increased reporting requirements. In particular, in the case of the Taxable Bonds held by a foreign partnership or foreign trust, the partners or beneficiaries rather than the partnership or trust will be required to provide the certification discussed above, and the partnership or trust will be required to provide certain additional information.

A non-U.S. holder of the Taxable Bonds whose income from such Taxable Bonds is effectively connected with the conduct of a U.S. trade or business generally will be taxed as if the holder were a U.S. holder (and, if the non-U.S. holder of the Taxable Bonds is a corporation, possibly subject to a branch profits tax at a 30% rate or lower rate as may be prescribed by an applicable tax treaty), provided the holder furnishes to the Withholding Agent an IRS Form W-8ECI.

Certain securities clearing organizations, and other entities that are not beneficial owners may be able to provide a signed statement to the Withholding Agent. In that case, however, the signed statement may require a copy of the beneficial owner's Form W-8BEN.

Generally, a non-U.S. holder will not be subject to U.S. Federal income tax on any capital gain recognized on retirement or disposition of the Taxable Bonds, unless the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of the retirement or disposition of such Taxable Bonds, and that gain is derived from sources within the United States. Certain other exceptions may apply, and a non-U.S. holder in these circumstances should consult its tax advisor.

The Taxable Bonds will not be includible in the estate of a non-U.S. holder unless at the time of the decedent's death, income from such Taxable Bonds was effectively connected with the conduct by the decedent of a trade or business in the United States.

### *Information Reporting and Backup Withholding*

Information reporting requirements, on IRS Form 1099, generally apply to (i) payments of principal of and interest on the Taxable Bonds to a noncorporate U.S. Holder within the United States or by a U.S. paying agent or other U.S. intermediary, including payments made by wire transfer from outside the United States to an account maintained in the United States, and (ii) payments to a noncorporate U.S. Holder of the proceeds from the sale of the Taxable Bonds effected by a U.S. broker or agent or at a U.S. office of a broker.

Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise fails to comply with the backup withholding rules. Compliance with the identification procedures described in the preceding section will establish an exemption from backup withholding for those non-U.S. holders who are not exempt recipients.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, which constitute over-withholding, will be allowed as a refund or a credit against such beneficial owner's United States Federal income tax provided the required information is provided to the Internal Revenue Service.

### *Defeasance*

Under the terms of the General Resolution, the Authority may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Taxable Bonds to be deemed to be no longer outstanding under the General Resolution (a "legal defeasance"). Prospective investors of the Taxable Bonds should be aware that, for U.S. Federal income tax purposes, a legal defeasance will be treated as a taxable exchange of such Taxable Bonds on which gain or loss, if any, will be recognized without any corresponding receipt of cash. In addition, after a legal defeasance, the timing and character of amounts includable in gross income by a holder of the Taxable Bonds could differ from the timing and character of the amounts that would have been includable in gross income in respect of such Taxable Bonds had the legal defeasance not occurred. Prospective investors of such Taxable Bonds should consult their own tax advisors with respect to the more detailed consequences to them of a legal defeasance, including the applicability and effect of tax laws other than U.S. Federal income tax laws.

### *Owners of Build America Bonds Not to Receive Tax Credit*

Although the Series 2010H Bonds will be issued as "Build America Bonds," the Authority will elect to receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable by the Authority on the Series 2010H Bonds. UNDER NO CIRCUMSTANCES WILL THE OWNERS OF THE BUILD AMERICA BONDS RECEIVE OR BE ENTITLED TO A CREDIT AT ANY TIME AGAINST THE TAX IMPOSED BY THE CODE.

### *Recent Legislation*

On March 30, 2010, President Obama signed into law the Health Care and Education Reconciliation Act of 2010 (the "March Tax Act"). The March Tax Act, which will be effective for taxable years beginning after December 31, 2012, will require certain U.S. Holders who are individuals, estates or trusts, to pay a special 3.8% tax on all or a portion of the interest and other income from the Taxable Bonds. Prospective investors should consult their tax advisors as to the applicability of such tax.

### **ERISA Considerations**

The Employees Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code generally prohibit certain transactions between employee benefit plans under ERISA or tax qualified

retirement plans and individual retirement accounts under the Code (collectively, the “Plans”) and persons who, with respect to a Plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In addition, each fiduciary of a Plan (“Plan Fiduciary”) must give appropriate consideration to the facts and circumstances that are relevant to an investment in the Series 2010 Bonds, including the role that such an investment in the Series 2010 Bonds would play in the Plan’s overall investment portfolio. Each Plan Fiduciary, before deciding to invest in the Series 2010 Bonds, must be satisfied that such investment in the Series 2010 Bonds is a prudent investment for the Plan, that the investments of the Plan, including the investment in the Series 2010 Bonds, are diversified so as to minimize the risk of large losses, and that an investment in the Series 2010 Bonds complies with the documents of the Plan, to the extent such documents are consistent with ERISA. All Plan Fiduciaries, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Series 2010 Bond.

### **Future Developments**

Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause the Series 2010E Bonds or the Series 2010F Bonds to be subject, directly or indirectly, to Federal income taxation or cause the Series 2010 Bonds 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. Further, legislation or regulatory actions and proposals may affect the economic value of the Federal or state tax exemption or the market value of the Series 2010 Bonds. Prospective investors of the Series 2010 Bonds should consult their own tax advisors regarding any pending or proposed Federal or state tax legislation, regulations, ruling or litigation as to which Co-Bond Counsel or Series 2010F Bond Counsel express no opinion.

### **Opinions of Counsel**

The proposed form of the opinion of Sidley Austin LLP with respect to the Series 2010E Bonds, the Series 2010G Bonds and the Series 2010H Bonds and the proposed form of the opinion of Hawkins Delafield & Wood LLP with respect to the Series 2010E Bonds, the Series 2010F Bonds, the Series 2010G Bonds and the Series 2010H Bonds are set forth in Appendix D hereto.

## **PART 13—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 2010 Bonds, or in any way questioning or affecting (i) the proceedings under which the Series 2010 Bonds are to be issued, (ii) the pledge effected under the General Resolution, or (iii) the validity of any provision of the Enabling Act, the Series 2010 Bonds, the General Resolution or the Financing Agreement.

## **PART 14—CERTAIN LEGAL MATTERS**

Certain legal matters incident to the authorization, issuance, sale and delivery of the Series 2010E Bonds, the Series 2010G Bonds and the Series 2010H Bonds are subject to the approval of Sidley Austin LLP, New York, New York and Hawkins Delafield & Wood LLP, New York, New York, acting as co-Bond Counsel to the Authority, and to certain other conditions. Certain legal matters incident to the authorization, issuance, sale and delivery of the Series 2010F Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, acting as Bond Counsel to the Authority with respect to the Series 2010F Bonds, and to certain other conditions. The approving opinions of each Bond Counsel will be delivered with the Series 2010 Bonds. The proposed forms of such opinions are included in this Official Statement as Appendix D.

Certain legal matters will be passed upon for the Underwriters by their counsel, Holland & Knight LLP, New York, New York.

## **PART 15—UNDERWRITING**

M.R. Beal & Company, Inc., on behalf of the Underwriters for the Series 2010 Bonds, has agreed, subject to the terms of a Contract of Purchase relating to the Series 2010E Bonds and the Series 2010F Bonds (the “Series 2010E Bonds and Series 2010F Bonds Contract of Purchase”) with the Authority and a Contract of Purchase relating to the Series 2010G Bonds and the Series 2010H Bonds (the “Series 2010G Bonds and Series 2010H Bonds Contract of Purchase”), to purchase the Series 2010 Bonds from the Authority. The Series 2010E Bonds and Series 2010F Bonds Contract of Purchase provides, in part, that the Underwriters of the Series 2010E Bonds and Series 2010F Bonds, subject to certain conditions, will purchase from the Authority (i) \$562,510,000 aggregate principal amount of Series 2010E Bonds at an aggregate purchase price of \$624,866,542.16 (which price reflects an Underwriters’ discount of \$2,539,972.89 and a net original issue premium of \$64,896,515.05) and (ii) \$55,490,000 aggregate principal amount of Series 2010F Bonds at an aggregate purchase price of \$59,832,516.42 (which price reflects an Underwriters’ discount of \$272,398.33 and a net original issue premium of \$4,614,914.75). The Series 2010G Bonds and Series 2010H Bonds Contract of Purchase provides, in part, that the Underwriters of the Series 2010G Bonds and Series 2010H Bonds, subject to certain conditions, will purchase from the Authority (i) \$149,455,000 aggregate principal amount of Series 2010G Bonds at an aggregate purchase price of \$148,834,587.42 (which price reflects an Underwriters’ discount of \$620,412.58 and (ii) \$549,405,000 aggregate principal amount of Series 2010H Bonds at an aggregate purchase price of \$546,034,835.79 (which price reflects an Underwriters’ discount of \$3,370,164.21).

Delivery of the Series 2010E Bonds is expressly conditioned upon delivery of the Series 2010F Bonds, the Series 2010G Bonds and the Series 2010H Bonds. Delivery of the Series 2010F Bonds is expressly conditioned upon delivery of the Series 2010E Bonds, the Series 2010G Bonds and the Series 2010H Bonds. Delivery of the Series 2010G Bonds is expressly conditioned upon delivery of the Series 2010E Bonds, the Series 2010F Bonds and the Series 2010H Bonds. Delivery of the Series 2010H Bonds is expressly conditioned upon delivery of the Series 2010E Bonds, the Series 2010F Bonds and the Series 2010G Bonds.

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

Citigroup Inc. and Morgan Stanley, the respective parent companies of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated, each an underwriter of the Series 2010E Bonds and the Series 2010F Bonds, have entered into a retail brokerage joint venture. As part of the joint venture each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC. for its selling efforts in connection with their respective allocations of Series 2010E Bonds and the Series 2010F Bonds.

Fidelity Capital Markets (“FCM”), one of the underwriters of the Series 2010E Bonds and the Series 2010F Bonds, is a division of National Financial Services LLC (“NFS”), which provides fully-disclosed clearing and other services to correspondent broker-dealers (the “correspondent broker-dealers”). NFS has entered into Master Reallowance Agreements with several of the correspondent broker-dealers to allow them to redistribute municipal securities underwritten by NFS to their retail investors at the original offering price. Pursuant to these Master Reallowance Agreements, NFS may share a portion of the underwriting compensation with respect to this bond offering with its correspondent broker-dealers.

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

Goldman, Sachs & Co. (“Goldman Sachs”), one of the Underwriters of the Series 2010E Bonds and the Series 2010F Bonds, has entered into a master dealer agreement (the “Master Dealer Agreement”) with Incapital LLC (“Incapital”) for the distribution of certain municipal securities offerings, including the Series 2010E Bonds and the Series 2010F Bonds, to Incapital’s retail distribution network at the initial public offering prices. Pursuant to the Master Dealer Agreement, Incapital will purchase Series 2010E Bonds and the Series 2010F Bonds from Goldman Sachs at the initial public offering price less a negotiated portion of the selling concession applicable to any Series 2010E Bonds and the Series 2010F Bonds that Incapital sells.

## **Foreign Offering Restrictions**

### *General*

In connection with offers and sales of Series 2010 Bonds, no action has been taken by the Authority that would permit a public offering of the Series 2010 Bonds, or possession or distribution of any information relating to the pricing of the Series 2010 Bonds, this Official Statement or any other offering or publicity material relating to the Series 2010 Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, each Underwriter has agreed to comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells Series 2010 Bonds or possesses or distributes this Official Statement or any other offering or publicity material relating to the Series 2010 Bonds and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of Series 2010 Bonds under the laws and regulations in force in any country or jurisdiction to which it is subject or in which it makes such purchases, offers or sales and the Authority shall have no responsibility therefor.

### *European Economic Area*

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of the Series 2010 Bonds that are the subject of the offering contemplated by this Official Statement to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Series 2010 Bonds to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;



(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant managing Underwriter; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Series 2010 Bonds shall require the Authority or any Underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this section, the expression an “offer of Series 2010 Bonds to the public” in relation to any Series 2010 Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Series 2010 Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Series 2010 Bonds, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The countries comprising the “European Economic Area” are Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lichtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and United Kingdom.

#### *United Kingdom*

Each Underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the “FSMA”)) received by it in connection with the issue or sale of the Series 2010 Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Authority; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Series 2010 Bonds in, from or otherwise involving the United Kingdom.

#### *Asia*

The Series 2010 Bonds may not be offered or sold by means of any documents other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap.32), Laws of Hong Kong), and no advertisement, invitation or document relating to the Series 2010 Bonds may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which

are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed on only to persons outside of Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

The Series 2010 Bonds have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each underwriter has agreed that it will not offer or sell the Series 2010 Bonds, directly or indirectly, in Japan or to, or for the benefit of, any other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

This Official Statement has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Official Statement and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Series 2010 Bonds may not be circulated or distributed, nor may the Series 2010 Bonds be offered or sold, or be made the subject of any invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Series 2010 Bonds are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Series 2010 Bonds under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

#### **PART 16—LEGALITY OF INVESTMENT**

Under New York State law, the Series 2010 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 2010 Bonds.

#### **PART 17—RATINGS**

The Series 2010 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 2010 Bonds.

## **PART 18—CONTINUING DISCLOSURE**

In order to assist the Underwriters of the Series 2010 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 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 2010 Bonds, to provide continuing disclosure. The State has undertaken for the benefit of all holders of State Personal Income Tax Revenue Bonds to provide in electronic form to the Electronic Municipal Market Access (“EMMA”) maintained by the Municipal Securities Rulemaking Board (“MSRB”), as the sole repository for the central filing of electronic disclosure pursuant to Rules 15c2-12, on an annual basis on or before 120 days after the end of each fiscal year of the State, commencing, for the Series 2010 Bonds, with the fiscal year ending March 31, 2011, 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, in electronic form, the State’s annual financial statements prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, to the MSRB, if and when such statements are available. In addition, the Authorized Issuers have undertaken, for the benefit of all holders of the State Personal Income Tax Revenue Bonds, including holders of Series 2010 Bonds, to provide, in electronic form, to the MSRB, in a timely manner, the notices described below (the “Notices”).

The Annual Information shall consist of: (a) financial information and operating data of the type included in 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 fiscal years, an analysis of cash-basis results for the State’s three most recent fiscal years, and a presentation of the State’s results in accordance with GAAP for at least the two most recent fiscal years for which that information is then-currently available; (2) for debt and other financing activities, a description of the types of financings the State is authorized to undertake, a presentation of the outstanding debt issued by the State and certain public authorities, as well as information concerning debt service requirements on that debt; (3) for authorities and localities, information on certain public authorities and local entities whose financial status may have a material impact on the financial status of the State; and (4) material information regarding State government

employment and retirement systems; together with (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 2010 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 2010 Bonds, to provide, in electronic form, to the MSRB, in a timely manner, notice of any failure by the State to electronically file the Annual Information and annual financial statements by the date required in the State's undertaking described above.

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 2010 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 2010 Bonds, may recover monetary damages thereunder under any circumstances. Any holder of State Personal Income Tax Revenue Bonds, including the holders of Series 2010 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 State has not in the previous five years failed to comply, in all material respects, with any previous undertakings pursuant to Rule 15c2-12. The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated 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 19—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 2010 Bonds” as to which no representation is made), “PART 2—INTRODUCTION” (the second, third, fifth, seventh, eighth, ninth and eleventh 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 8—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 his attention that would lead him to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading, *provided, however*, that while the 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 he believes to be reliable and he has no reason to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; *provided, further, however*, that with regard to the statements and information in Appendix A hereto under the caption “Litigation”, such statements and information as to legal matters are given to the best of his information and belief, having made such inquiries as he deemed appropriate at the offices of the Department of Law of the State, without any further independent investigation. The certification is to apply both as of the date of this Official Statement and as of the date of delivery of the Series 2010 Bonds.

Public Financial Management, Inc. has acted as financial advisor to the Authority in connection with the sale and issuance of the Series 2010 Bonds. Public Financial Management, Inc., is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. Public Financial Management, Inc., is an independent advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal securities or other public securities.

The references herein to the Authority Act, the Enabling Act, other laws of the State, the General Resolution and the Financing Agreement 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 2010 Bonds are fully set forth in the General Resolution (including any supplemental resolutions thereto), and neither any advertisement of the Series 2010 Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2010 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.

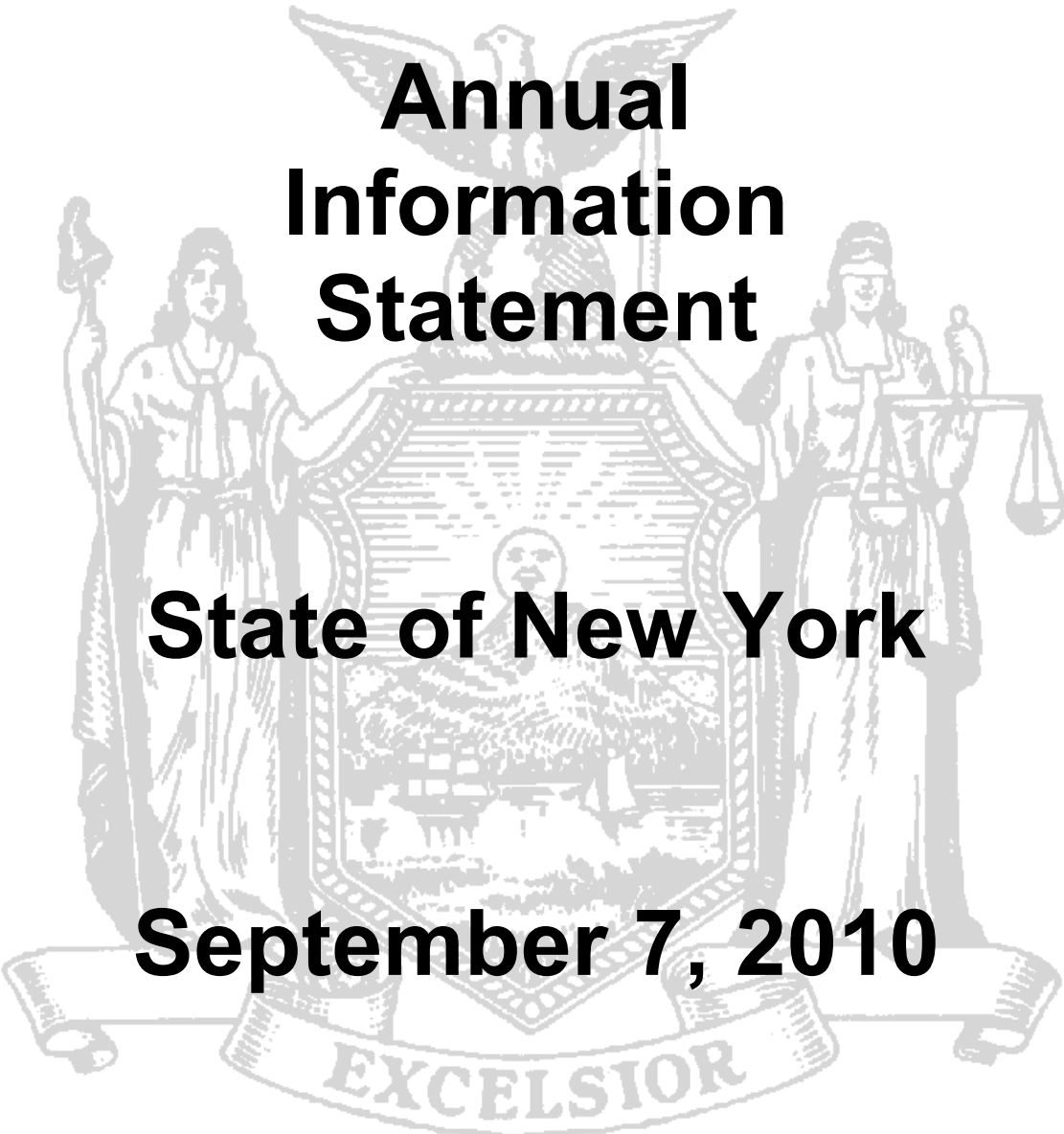
Appendix A contains the Annual Information Statement of the State of New York ("Annual Information Statement" or "AIS"), as updated or supplemented to the date specified therein. The State intends to update and supplement that Annual Information Statement as described therein. It has been supplied by 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 September 7, 2010. The AIS was filed with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS can be accessed through the EMMA system at [www.emma.msrb.org](http://www.emma.msrb.org). An official copy of the AIS may be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705. An informational copy of the AIS is available on the Internet at <http://www.budget.state.ny.us>.

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

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

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The seal of the State of New York is centered in the background. It features a shield with a landscape scene, flanked by two female figures: Liberty on the left holding a torch and a scroll, and Justice on the right holding scales. Above the shield is an eagle with wings spread. A banner at the bottom of the shield contains the word "EXCELSIOR".

**Annual  
Information  
Statement**

**State of New York**

**September 7, 2010**

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# Annual Information Statement

## State of New York

*Dated: September 7, 2010*

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- State Government Employment
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- State-Related Debt by Function

#### Exhibit D to Annual Information Statement

- Glossary of Acronyms

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# Annual Information Statement of the State of New York

## Introduction

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

In this AIS, readers will find:

1. A section entitled the “Current Fiscal Year” that contains (a) extracts from the 2010-11 Enacted Budget Financial Plan, dated August 20, 2010 (the “Updated Financial Plan”), prepared by the Division of the Budget (“DOB”), including the State’s official Financial Plan projections, and (b) a discussion of potential risks that may affect the Financial Plan during the State’s current fiscal year under the heading “Special Considerations.” The first part of the section entitled “Current Fiscal Year” summarizes the major components of the 2010-11 Enacted Budget and the projected impact on operations, annual spending growth, and the magnitude of future potential budget gaps; the second part provides detailed information on projected total receipts and disbursements in the State’s governmental funds in 2010-11.
2. Information on other subjects relevant to the State’s fiscal condition, including: (a) operating results for the three prior fiscal years, (b) the State’s revised economic forecast and a profile of the State economy, (c) debt and other financing activities, (d) selected State government summary, and (e) activities of public authorities and localities.
3. The status of significant litigation and arbitration that has the potential to adversely affect the State’s finances.

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

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

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

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

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

## Usage Notice

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

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

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



## Overview

### The State Budget Process

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

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

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

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

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

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

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

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## The 2010-11 Enacted Budget Overview

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

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

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

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

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

<sup>4</sup> Reflects the estimated change in tax receipts excluding the impact of Tax Law changes since fiscal year 1986-87.

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

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

## 2010-11 Enacted Budget Gap-Closing Plan

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

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

<sup>1</sup> Includes the carry-forward of the 2009-10 budget shortfall of \$1.6 billion into 2010-11.

<sup>2</sup> Recurring value of administrative and legislative actions approved in December 2009.

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

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

## Current Fiscal Year

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

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

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

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

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

## Updated Financial Plan

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

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

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

<sup>1</sup> Includes the carry-forward of the \$1.65 billion budget shortfall from 2009-10.

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

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

<sup>3</sup> See “Summary of Changes to the Current-Services Gap” herein.

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

The Updated Financial Plan:

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

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

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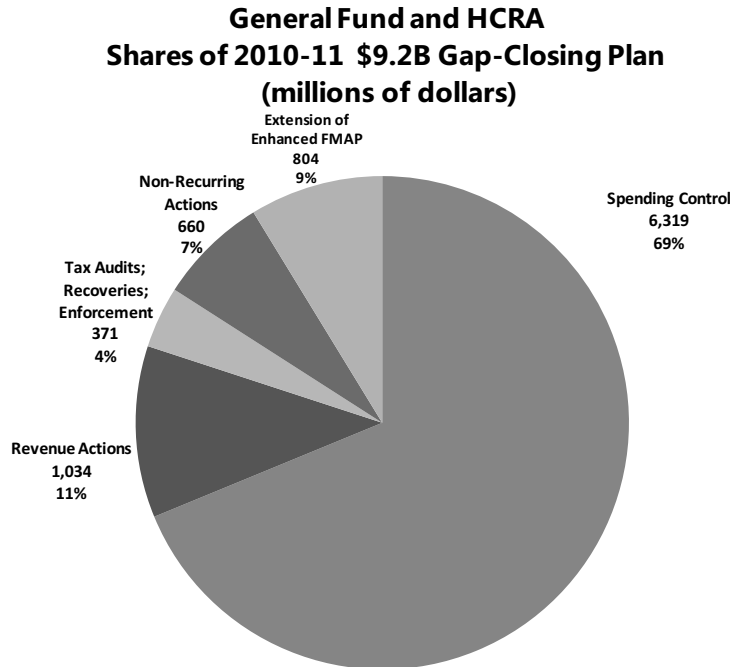
<sup>5</sup> State Operating Funds combines activity in the General Fund, State-financed special revenue funds, and debt service funds and is intended to measure the portion of the State budget that supports operations (as distinct from capital) and that is financed by State resources (as distinct from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

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

<sup>7</sup> Agency operations include fixed costs.

**Composition of the Gap-Closing Plan**

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



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

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

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

<sup>8</sup> Includes value of the DRP. See "Explanation of the Deficit Reduction Plan" herein.



## Impact on Spending

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

TOTAL DISBURSEMENTS -- SUMMARY OF ADJUSTMENTS <sup>1</sup>						
(millions of dollars)						
	2009-10			2010-11		
	Actual Results	Adjustment	Results Adjusted	2010-11 Enacted	Adjustment	Enacted Adjusted
<b>State Operating Funds</b>	<b>76,874</b>	<b>2,060</b>	<b>78,934</b>	<b>81,058</b>	<b>(2,060)</b>	<b>78,998</b>
General Fund (Excludes Transfers)	46,415	2,060	48,475	49,661	(2,060)	47,601
Other State Funds	25,447	0	25,447	25,789	0	25,789
Debt Service Funds	5,012	0	5,012	5,608	0	5,608
<b>All Funds</b>	<b>126,877</b>	<b>4,060</b>	<b>130,937</b>	<b>135,887</b>	<b>(2,060)</b>	<b>133,827</b>
State Operating Funds	76,874	2,060	78,934	81,058	(2,060)	78,998
Capital Projects Funds	7,112	0	7,112	8,454	0	8,454
Federal Operating Funds	42,891	2,000	44,891	46,375	0	46,375
<b>General Fund, including Transfers</b>	<b>52,202</b>	<b>2,060</b>	<b>54,262</b>	<b>55,593</b>	<b>(2,060)</b>	<b>53,533</b>
<b>State Funds</b>	<b>82,034</b>	<b>2,060</b>	<b>84,094</b>	<b>87,133</b>	<b>(2,060)</b>	<b>85,073</b>

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

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

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

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

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

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

<b>CAUSES OF ADJUSTED STATE OPERATING FUNDS SPENDING CHANGE <sup>1</sup></b>				
<b>(millions of dollars)</b>				
	<b>2009-10</b>	<b>2010-11</b>	<b>Annual \$ Change</b>	<b>Annual % Change</b>
<b>Total</b>	<b>78,934</b>	<b>78,998</b>	<b>64</b>	<b>0.1%</b>
Debt Service	4,961	5,516	555	11.2%
Fringe Benefits	4,276	4,879	603	14.1%
Personal Service	10,874	10,307	(567)	-5.2%
Non-Personal Service/Fixed Costs	4,885	4,663	(222)	-4.5%
Local Assistance	53,938	53,633	(305)	-0.6%

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

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

The following table summarizes the major sources of annual change.

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

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

<sup>2</sup> Includes the value of recurring savings from the December 2009 Deficit Reduction Plan.

<sup>3</sup> State fiscal year basis. ARRA funding temporarily reduces spending from State Operating Funds.

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

<sup>5</sup> 2009-10 affected by \$300 million payment deferral from 2008-09.

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

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

## EXPLANATION OF GAP-CLOSING PLAN

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

### 2010-11 Enacted Budget Actions

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

### Spending Control

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

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

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<sup>9</sup> Legislation, other than appropriation bills, submitted as part of the budget.

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

<sup>1</sup> Excludes savings from December 2009 DRP. Net of new funding initiatives. Includes the impact of Governor's vetoes.

<sup>2</sup> Estimated debt service savings from reducing planned capital spending financed with debt.

## Local Assistance

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

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

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

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

## Impact of Vetoes

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

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

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

## FMAP Contingency Spending Reductions

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

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

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

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

\*Estimated year-end results.



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

### State Operations

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

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

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

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

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

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

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

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

**Revenue Actions**

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

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

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

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

**Non-Recurring Resources**

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

<b>COMBINED GENERAL FUND/HCRA GAP-CLOSING PLAN FOR 2010-11 NON-RECURRING RESOURCES SAVINGS/(COSTS) (millions of dollars)</b>	
	<u>2010-11</u>
<b>Non-Recurring Resources</b>	<b>660</b>
Federal TANF Resources	261
Physician Excess Medical Malpractice Payment (Timing)	127
Additional New York County District Attorney Recoveries	50
Additional Department of Law Recoveries	35
School Aid Overpayment Recoveries	32
NYSHELPS Program Adjustment	19
Eliminate New Technology Seed Fund	15
Available Fund Balances/Resources	121

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

**2009-10 Deficit Reduction Plan**

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

<b>2009-10 DEFICIT REDUCTION PLAN SUMMARY SAVINGS/(COSTS) (millions of dollars)</b>				
	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
<b>Total Deficit Reduction Plan Savings</b>	<b>692</b>	<b>811</b>	<b>876</b>	<b>854</b>
<b>Agency Operational Reductions</b>	<b>360</b>	<b>385</b>	<b>385</b>	<b>385</b>
<b>Legislative Actions <sup>1</sup></b>	<b>332</b>	<b>426</b>	<b>491</b>	<b>469</b>
Health Care	177	161	201	201
Mental Hygiene	57	55	53	32
Education/Arts	39	42	43	43
Higher Education Aid	36	36	36	36
Local Government Assistance	32	32	32	32
Tier V Pension	6	20	40	60
All Other	(15)	80	86	65

<sup>1</sup> Includes spending reductions in other State Funds that reduce General Fund costs through transfers from the accounts where savings are realized.

## Projected Closing Balances

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

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

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

## 2010-11 Disbursements Forecast

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

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

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

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

<sup>1</sup> Includes General Fund, State Special Revenue and Debt Service Funds.  
<sup>2</sup> General Fund only. Fringe benefits are allocated to agency budgets outside of the General Fund.  
<sup>3</sup> Reductions will be allocated by agency in the Mid-Year Financial Plan, following approval of early retirement and other savings plans.

## 2010-11 Financial Plan and OutYear Projections

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

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

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

### Budget Gaps

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

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

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

### Spending

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

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

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

## **Receipts**

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

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

**General Fund**

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



## State Operating Funds

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

<sup>1</sup> Financed with the use of existing fund balances in 2010-11. See Financial Plan Tables.

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

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

## Grants to Local Governments

### Medicaid (Department of Health)

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

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

<sup>1</sup> Excludes Medicaid spending in other State agencies, including enhanced FMAP for other state agencies.

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

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

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

## School Aid

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

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

<sup>1</sup> Includes building, transportation, high cost and private special education, and BOCES.

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

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

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

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

## Mental Hygiene

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

## Social Services

Children and Family Services spending is expected to grow by approximately \$200 million annually through 2013-14 primarily driven by growth in local claims-based programs, including child welfare. TADA spending is projected to increase by \$529 million from \$1.2 billion in 2010-11 to \$1.7 billion by 2013-14, due to the loss of one-time TANF Emergency Contingency Fund grants that were used to support public assistance costs and the projected increase in the public assistance caseload. Based on the

latest economic forecast and updated program data, the total public assistance caseload has increased in all years from 2010-11 to 2013-14 in the Enacted Budget compared to the Executive Budget.

**State Operations**

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

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

**Personal Service**

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

## **Non-Personal Service**

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

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

## **General State Charges**

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

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

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

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

## **Transfers to Other Funds (General Fund Basis)**

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

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

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

### Dedicated Highway and Bridge Trust Fund

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

## 2010-11 All Funds Financial Plan Forecast

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

## 2010-11 Receipts Forecast

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

### Overview of the Revenue Situation

- The unsteady recovery of the national and New York State economies is expected to translate into receipts growth for the first time in two years. DOB anticipates that the wage growth that began early in 2010 coupled with positive corporate earnings and a projected rebound in employment later in the year should lead to positive receipts growth in 2010-11.
- After five consecutive years of growth averaging 9.5 percent per year, base receipts slipped by 3 percent in 2008-09 and plunged another 12.3 percent in 2009-10, as the result of the recession which began in 2008.
- The nascent recovery is expected to result in base receipts growth of 2.2 percent in 2010-11 and further improvement in 2011-12 after employment growth returns in earnest. The 2007-08 base receipts All Funds tax receipts peak is not expected to be reached again until 2011-12.
- The return of corporate profits in general, and the financial sector profits so vital to New York's economy in particular, are expected to result in both increases in finance and insurance sector bonuses and stepped up business tax receipts growth in 2010-11 and 2011-12.
- The forecast assumes a shift in taxable capital gains realizations from tax year 2011 into tax year 2010 (resulting in increased 2010-11 receipts) as a result of the expected sunset of preferential Federal tax rates on capital gains on December 31, 2010. If Federal action results in complete or partial continuation of lower rates for all or a portion of taxpayers, these gains will be realized over the long run, not in 2010-11.
- Absent the impact of high income provisions enacted in 2009 and 2010, estimated PIT liability plunged 16.6 percent in 2009 and is projected to increase 11.8 in 2010. The 2009 fall was the result of the continuing overall impact of the recession, and in particular, the impact on the real estate and financial sectors. The high growth rate in 2010 is due, in part, to the expected movement of wages and capital gains realizations from 2011 or later into 2010 to take advantage of expiring lower Federal tax rates. Positive wage and income growth that began in early 2010 and the employment growth anticipated to follow later in the year will also play a role.
- After a vigorous retreat during 2008-09 and 2009-10, consumer spending on taxable goods and services should improve somewhat during 2010-11, driven by increasing disposable income, employment, and a pickup in vehicle sales after a long drought. Despite this improvement, the pre-recession sales tax collections peak will not be reached until 2011-12.
- The bulk of the \$4.1 billion (7.2 percent) increase in All Funds tax receipts from 2009-10 to 2010-11 is the result of the full-year impact of the 2009 and 2010 high income personal income tax provisions (\$2.1 billion) and other actions taken in the 2010-11 Enacted Budget (\$1.3 billion).



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

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

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

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

## Personal Income Tax

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

<sup>1</sup> Excludes Transfers.

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

## User Taxes and Fees

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

<sup>1</sup> Excludes Transfers.

<sup>2</sup> Receipts from motor vehicle fees and alcohol beverage control license fees are now reflected under miscellaneous receipts.

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

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

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

## Business Taxes

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

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

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

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

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

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

## Other Taxes

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

<sup>1</sup> Excludes Transfers.

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

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

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

## Miscellaneous Receipts and Federal Grants

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

<sup>1</sup>Includes receipts from motor vehicle fees and alcohol beverage control license fees, previously reflected as "user taxes and fees."

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

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

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

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

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

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

### **Enacted Budget Revenue Actions**

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

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

### **Increased Taxes or Fee Liability**

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

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

### **Other Actions**

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

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

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

- **New or Expanded Tax Credits/Exemptions.** The Enacted Budget contains five new or expanded tax credits at a cost of \$15 million on an All Funds basis in the 2010-11 fiscal year.
- **Technical Corrections and Extenders.** The Enacted Budget contains two extenders that will maintain both the pari-mutuel tax and major provisions of the bank tax, and temporary GLB provisions and five technical corrections that will amend previously enacted items. These five actions preserve current revenue or tax benefits.
- **New or Expanded Fines.** The Enacted Budget contains two fines that help protect the State’s wetlands and mineral resources. These fines are expected to produce \$1 million in revenue on an All Funds basis during the 2010-11 fiscal year.

**Tax Actions**

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

- **Temporarily Reduce Sales Tax Clothing Exemption.** Eliminates State sales and compensating use tax exemptions for clothing and footwear sold for less than \$110 per item for the period October 1, 2010 through March 31, 2011; exempts clothing and footwear sold for less than \$55 per item for the period April 1, 2011 through March 31, 2012; and restores the original exemption of \$110 on April 1, 2012.
- **Itemized Deduction Limitation.** Decreases the percentage of allowable remaining itemized deductions from 50 percent to 25 percent for taxpayers with New York adjusted gross income of \$10 million or more for tax years 2010 through 2012.
- **Other Tobacco Products Increase.** Increases the tobacco products tax to 75 percent of the wholesale price from 46 percent; increases the tax on snuff to \$2.00 per ounce from \$0.96 per ounce; and creates a new category under the tobacco products tax imposing a tax on "little cigars" at a rate equivalent to the cigarette tax rate.
- **Repeal Vendor Credit for Monthly Filers.** Repeals the vendor credit for monthly sales tax filers. Quarterly and annual filers will continue to receive the credit.
- **Apply Sales Tax to Hotel Reseller Markup.** Clarifies that room remarketers are required to collect sales and New York City occupancy taxes.

- Increase Cigarette Excise Tax by \$1.60 per Pack. Increases the State cigarette excise tax from \$2.75 per pack to \$4.35 per pack.
- Add Back Federal Sales Tax Deduction. Requires itemizing taxpayers who elect to deduct sales tax instead of income tax for Federal purposes to reduce their New York itemized deductions by the amount of sales tax deducted for Federal purposes.

### Loophole Closing Actions

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

- **Treat S Corp Gains and Installment Income as Taxable for Non-Residents.** Eliminates three related tax loopholes that allow non-residents to avoid taxation by converting underlying S Corporation assets to stock or receiving installment income after termination of S Corporation nexus to New York. Previously, gains on stock and such installment income were considered intangible income and were therefore not subject to tax for non-residents.
- **Conform to Federal Bad Debt Provisions.** Conforms the State bank tax deduction for bad debts to the calculations provided for in the Internal Revenue Code for Federal tax purposes.
- **Define Flow-Through Entities as Taxpayers for QETC and Biofuel Credit Claims.** Eliminates the ability of individual shareholders in flow-through entities (i.e. partnerships, LLCs, and S Corporations) to each claim up to the statutory cap for a taxpayer when claiming the Biofuel and QETC facilities, operations and training credits. The cap will apply to the entity, just as it does for C Corporations.
- **Treat Compensation for Past Services as Taxable for Non-Residents.** Eliminates a tax loophole that permitted a non-resident to receive income – without paying New York taxes – for past services (e.g. termination pay) conducted during a period when their employer had a New York nexus. Such income had been nontaxable.
- **Make REITs/RICs Loophole Closer Permanent.** Makes permanent the provisions that address the closely-held Real Estate Investment trusts and Regulated Investment Companies loophole, which would have otherwise expired on December 31, 2010.



## New or Increased Fees

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

- **Legal Fees.** Establishes new and increased fees to fund civil legal services, indigent defense, and costs of court operations. A new \$95 fee will be paid by plaintiffs (banks and credit card companies) in consumer credit cases. A new \$500 “credentialing” fee will be paid by persons who sit for the bar examination and were educated outside the country. A new \$190 fee will be charged at the time the index fee is paid in a foreclosure action. The criminal history search fee, which is paid when the Office of Court Administration performs background checks, will be raised from \$55 to \$65. The biennial bar registration fee will be raised from \$350 to \$375.
- **Hazardous Waste Fees.** Amends Environmental Conservation Law to consolidate two separate sliding-scale fees paid by hazardous waste generators into a single fee of \$130 per ton.
- **E-Waste Fee.** Establishes a statewide electronic equipment reuse and recycling program. It will require manufacturers to accept for recycling or reuse electronic waste for which it is the manufacturer from consumers in the State and accept one piece of electronic waste if offered by a consumer, with the purchase of a piece of equipment of the same type beginning April 1, 2011. It will establish registration requirements for manufacturers of covered electronic equipment sold in the State, and require each manufacturer of covered electronic equipment to register with DEC by January 1, 2011, and pay a \$5,000 registration fee; and require any person who becomes a manufacturer after January 1, 2011, to register with DEC before selling or offering for sale covered electronic equipment in the State.

## Tax Enforcement Actions

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

- **Improve Audit and Compliance.** The Commissioner of Taxation and Finance will increase compliance staff and re-direct department resources to generate \$221 million in additional annual revenue.
- **Native American Tax Enforcement.** Requires all cigarettes sold to Native American nations or tribes and reservation cigarette sellers to bear a tax stamp and allows the

governing body of a Native American nation or tribe two options for tax-exempt sales to its tribal members.

- **Require Informational Returns for Credit and Debit Cards.** Mirrors Federal requirements by requiring certain financial institutions to also file information returns with the State annually regarding amounts of credit/debit card settlements and third-party network transactions.
- **False Claims Act.** Removes the exemption for tax fraud from the State False Claims Act, allowing citizens to bring legal action against tax cheats and share in the proceeds of the case if the action is successful.

### Other Revenue Actions

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

- **Tax Credit Deferral.** Allows \$2 million in aggregate credit at the taxpayer level for tax years 2010, 2011, and 2012. The total amount of credits deferred under this proposal will be paid back to taxpayers over tax years 2013, 2014, and 2015. This provision affects personal income and corporate income taxpayers. The credits impacted are business-related credits. Personal income tax credits such as the child credit and EITC are excluded.
- **Change Abandoned Property Dormancy Periods.** Reduces the dormancy period for receipts from unclaimed goods from five to three years and non-bank money orders seven to five years.
- **Repeal Private Label Credit Card Law.** Repeals Tax Law §1132(e-1), which allowed private label credit card lenders, as well as vendors who use private label credit card lenders to finance their credit card sales, to claim a sales tax credit or refund on accounts financed by or assigned to the lender that are written or charged off as uncollectible.
- **Extend VLT Hours of Operation.** Increases the authorized hours of operation of VLTs from sixteen to 20 hours a day but no later than 4 AM, reduces the commission rate paid to vendor tracks by one percent, and eliminates the sunset of the VLT program.
- **Quick Draw Hours and Sunset.** Eliminates the restriction on the number of hours that the Division of the Lottery can operate the Quick Draw lottery game and makes the Lottery's authorization to operate the game permanent.

## New or Expanded Tax Credits

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

- **Narrow Affiliate Nexus Provision.** The affiliate nexus provision contained within the 2009-10 Enacted Budget is amended by narrowing the definition of a sales tax vendor by providing that certain in-State activities of an affiliate do not make the seller a vendor.
- **Expand the Low-Income Housing Tax Credit Program.** The Commissioner of the Division of Housing and Community Renewal is authorized to allocate an additional \$4 million in aggregate credit awards to taxpayers that develop qualifying housing projects for low-income New Yorkers. Credits are given in equal installments for a ten-year period. As such, the total amount of credits that will be awarded from this new authorization will be \$40 million.
- **Historic Properties Tax Credits.** Allows banks and insurance companies to claim the nonresidential tax credit and sunsets the higher residential and non-residential caps enacted in 2009 on December 31, 2014.
- **Livery Vehicle Sales Tax Exemption.** This provision exempts transportation delivered by livery vehicles that both originates and terminates in New York City from the State and New York City sales taxes.
- **Extend and Expand Film Tax Credit.** Provides an additional film tax credit allocation of \$420 million per year for tax years 2010 through 2014, \$7 million of which is dedicated to a new post-production credit. This measure also imposes various reforms to enhance the State's return on investment. They include requirements that the recipient: conduct at least 10 percent of shooting days at a qualified facility; include an end-credit acknowledging financial support from New York State or provide a New York promotional video as part of the film or DVD release in the secondary market; ensure only purchases of taxable property and services from registered sales tax vendors are eligible in the credit calculation; ensure at least 75 percent of post-production costs are incurred in New York in order to be considered a qualified cost.
- **Create Excelsior Jobs Program.** Establishes a new economic development program to provide incentives based on job creation, investment, and research and development expenditures in New York State. The new program maximizes the return on State investment by capping both total program and individual project costs, allowing only targeted industries to participate, and requiring substantial job and investment thresholds to be met and maintained prior to any project claiming benefits.

## Technical Corrections and Extenders

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

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

## New or Increased Fines

<b>NEW OR INCREASED FINES</b> (millions of dollars)				
	<b>2010-11</b>		<b>2011-12</b>	
	<b>General Fund</b>	<b>All Funds</b>	<b>General Fund</b>	<b>All Funds</b>
Freshwater Wetlands Fines	-	0.7	-	0.7
Mineral Resources Fines	-	0.3	-	0.3
<b>TOTAL NEW OR INCREASED FINES</b>	<b>-</b>	<b>1.0</b>	<b>-</b>	<b>1.0</b>

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

## 2010-11 Financial Plan Disbursements Forecast

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

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

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

<b>ADJUSTED STATE OPERATING FUNDS <sup>1</sup> SPENDING PROJECTIONS</b>			
<b>MAJOR SOURCES OF ANNUAL CHANGE</b>			
<b>(millions of dollars)</b>			
	<u>2009-10</u>	<u>2010-11</u>	<u>Change</u>
<b>Major Functions (Annual Change)</b>			
Health Care:			
Medicaid	11,479	11,675	196
Public Health	2,404	2,523	119
K-12 Education:			
School Aid (State Fiscal Year)	20,374	19,942	(432)
All Other Education Aid	1,693	1,663	(30)
STAR	3,414	3,300	(114)
Higher Education	8,447	8,092	(355)
Social Services:			
Temporary and Disability Assistance	1,360	1,222	(138)
Children and Family Services	2,006	2,148	142
Mental Hygiene	4,360	4,537	177
Transportation	3,941	4,433	492
General State Charges <sup>2</sup>	3,594	4,128	534
Debt Service	4,961	5,516	555
<b>All Other (Annual Change)</b>			
Local Government Aid	1,080	791	(289)
Department of Insurance	658	463	(195)
Statewide Agency Operating Reductions <sup>3</sup>	0	(500)	(500)
All Other	9,163	9,065	(65)
<b>Total Adjusted State Operating Funds Spending</b>	<b>78,934</b>	<b>78,998</b>	<b>97</b>
<sup>1</sup> Includes General Fund, State Special Revenue and Debt Service Funds.			
<sup>2</sup> General Fund only. Fringe benefits are allocated to agency budgets outside of the General Fund.			
<sup>3</sup> Reductions will be allocated by agency in the Mid-Year Financial Plan, following approval of early retirement and other savings plans.			

## Selected Program Measures and Assumptions

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

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

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

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

<sup>2</sup> Subject to Executive Control.

<sup>3</sup> As Percent of Salary.

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

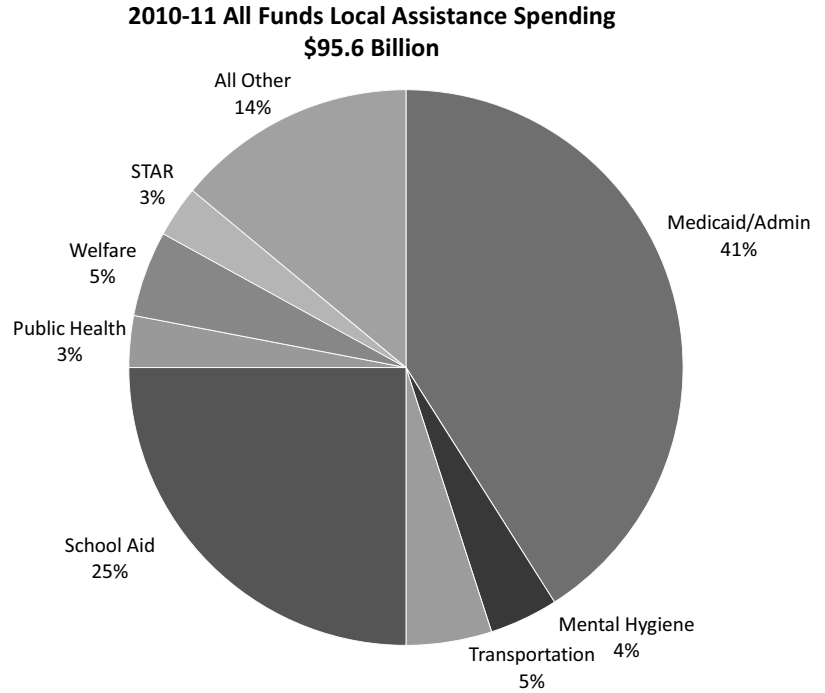
The spending forecast for each of the State’s Financial Plan categories follows.



## Grants to Local Governments

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

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



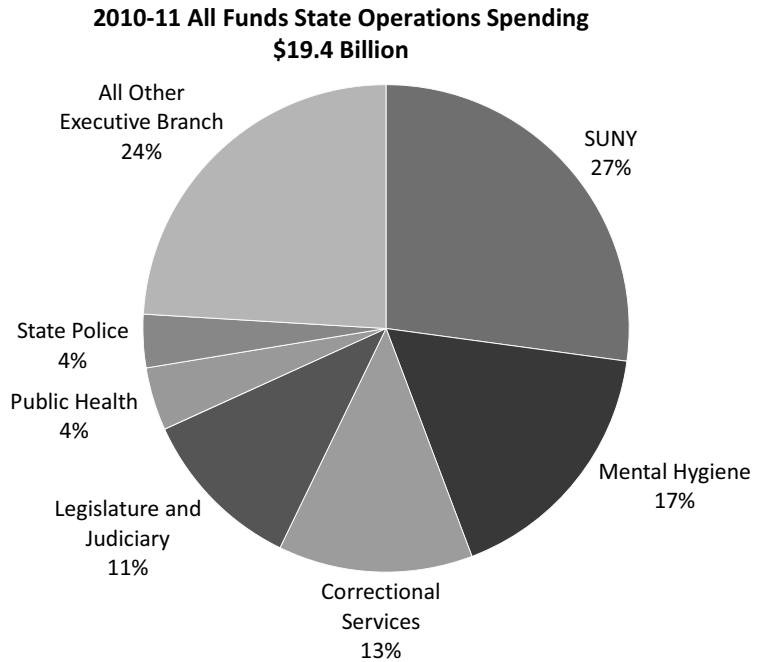
<b>LOCAL ASSISTANCE SPENDING PROJECTIONS (ADJUSTED)</b>				
<b>(millions of dollars)</b>				
	<b>2009-10 Results</b>	<b>2010-11 Enacted</b>	<b>Annual Change</b>	<b>Percent Change</b>
<b>General Fund</b>	<b>36,294</b>	<b>35,448</b>	<b>(846)</b>	<b>-2.3%</b>
Other State Support	17,644	18,185	541	3.1%
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

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

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

## State Operations

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



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

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

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

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

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

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

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

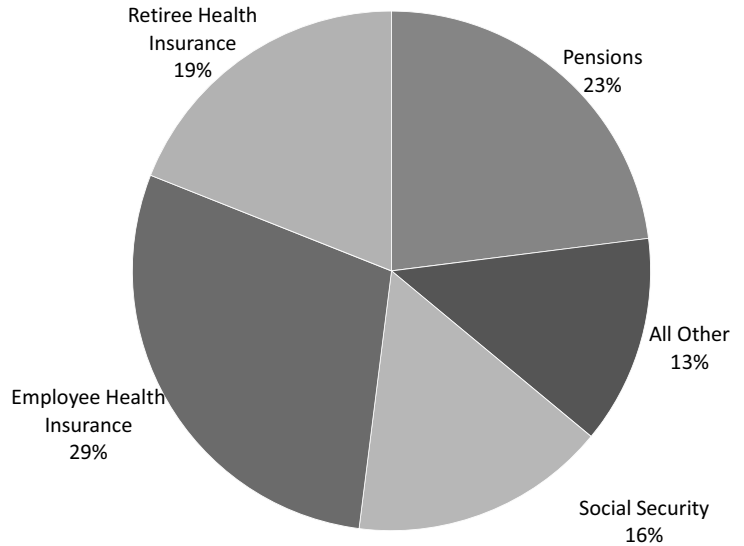
The State Operating Funds spending decrease of \$748 million (4.9 percent) is primarily driven by planned statewide reductions in agency operations through the use of an early retirement incentive, continuing hiring controls, abolition of vacant positions; efficiency from shared service and consolidation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

## General State Charges

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

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

**General State Charges – \$6.3 Billion  
2010-11 All Funds Spending**



<b>GENERAL STATE CHARGES SPENDING PROJECTIONS</b>				
<b>(millions of dollars)</b>				
	<b>2009-10 Results</b>	<b>2010-11 Enacted</b>	<b>Annual Change</b>	<b>Percent Change</b>
General Fund	3,594	4,128	534	14.9%
Other State Support	1,040	1,077	37	3.6%
<b>State Operating Funds</b>	<b>4,634</b>	<b>5,205</b>	<b>571</b>	<b>12.3%</b>
Capital Projects Funds	0	0	0	0.0%
Federal Operating Funds	1,099	1,132	33	3.0%
<b>Total All Funds</b>	<b>5,733</b>	<b>6,337</b>	<b>604</b>	<b>10.5%</b>

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

### Current-Services

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

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

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

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

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

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

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

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

**2010-11 Enacted Savings**

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

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

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

**Debt Service**

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

<b>DEBT SERVICE SPENDING PROJECTIONS</b>				
<b>(millions of dollars)</b>				
	<b>2009-10 Results</b>	<b>2010-11 Enacted</b>	<b>Annual Change</b>	<b>Percent Change</b>
<b>General Fund</b>	<b>1,844</b>	<b>1,642</b>	<b>(202)</b>	<b>-11.0%</b>
Other State Support	3,117	3,874	757	24.3%
<b>State Operating Funds</b>	<b>4,961</b>	<b>5,516</b>	<b>555</b>	<b>11.2%</b>
<b>Total All Funds</b>	<b>4,961</b>	<b>5,516</b>	<b>555</b>	<b>11.2%</b>

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

<b>DEBT SERVICE</b>					
<b>SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE) FROM 2009-10 TO 2010-11</b>					
<b>(millions of dollars)</b>					
	<b>General Fund</b>	<b>Other State Funds</b>	<b>Total State Operating Funds</b>	<b>Capital Projects Funds</b>	<b>Total All Funds</b>
<b>2009-10 Results</b>	<b>1,844</b>	<b>3,117</b>	<b>4,961</b>	<b>0</b>	<b>4,961</b>
Current Services:	(153)	769	616	0	616
Savings:	(49)	(12)	(61)	0	(61)
<b>2010-11 Proposed</b>	<b>1,642</b>	<b>3,874</b>	<b>5,516</b>	<b>0</b>	<b>5,516</b>
Annual Change	(202)	757	555	0	555

**Current-Services**

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

**2010-11 Savings**

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

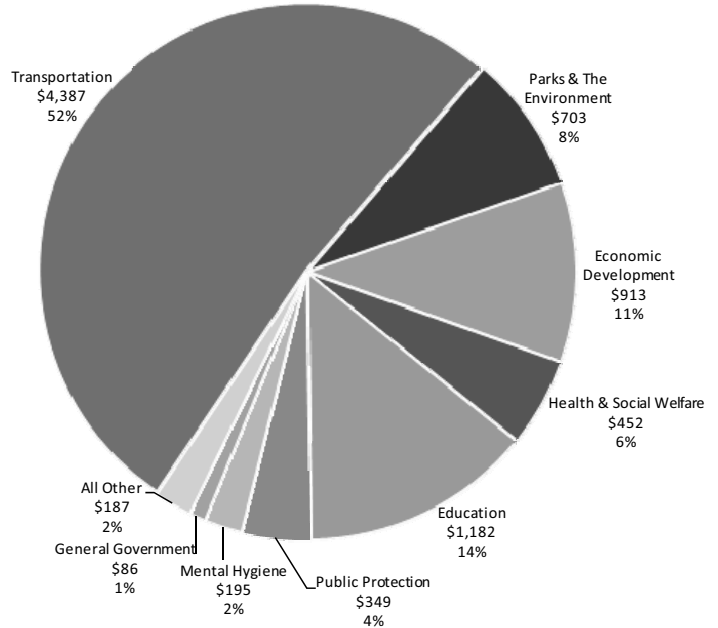


## Capital Projects

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

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

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



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

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

## **2010-11 Recommended Savings**

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

## **Other Financing Sources/(Uses)**

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

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

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

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

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

## 2010-11 Operating Results Through July 2010

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

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

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

**All Funds**

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

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

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

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

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

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Source: NYS DOB

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

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

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Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB



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

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

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Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

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Source: NYS DOB

**CASHFLOW  
GENERAL FUND  
2010-2011  
(dollars in millions)**

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

Source: NYS DOB



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

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

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

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

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

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

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

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

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

Source: NYS DOB

## GAAP-Basis Financial Plans/GASB Statement 45

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

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

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

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

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

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

<b>FORECAST OF NEW YORK STATE EMPLOYEE HEALTH INSURANCE COSTS</b> (millions of dollars)			
<b>Health Insurance</b>			
<b>Active</b>			
<b>Year</b>	<b>Employees</b>	<b>Retirees</b>	<b>Total State</b>
<b>2007-08 (Actual)</b>	1,390	1,182	2,572
<b>2008-09 (Actual)</b>	1,639	1,068	2,707
<b>2009-10 (Actual)</b>	1,542	1,139	2,681
<b>2010-11 (Projected)</b>	1,826	1,195	3,021
<b>2011-12 (Projected)</b>	1,992	1,322	3,314
<b>2012-13 (Projected)</b>	2,171	1,422	3,593
<b>2013-14 (Projected)</b>	2,119	1,536	3,655

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

## Special Considerations

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

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

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

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

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

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

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

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

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

## **State Cash Flow Projections**

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

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

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

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

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

\*Actual

## Federal Funding

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

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



## **Labor Settlements**

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

## **Personal Care Audits**

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

## **Other Financial Plan Risks**

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

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

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**APPENDIX B**

**SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION**

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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 (GENERAL PURPOSE) GENERAL RESOLUTION

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 (General Purpose) 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. A copy of the General Resolution 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 State Personal Income Tax Revenue Bonds (General Purpose) 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 (General Purpose) 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 (General Purpose)” 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 Standard Resolution Provisions 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 a 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 (General Purpose)”, 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 Standard Resolution Provisions 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 Standard Resolution Provisions 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 Standard Resolution Provisions, 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 (General Purpose)”

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:



1. The interest due on all Outstanding Bonds on such Interest Payment Date;
2. The Principal Installments due on all Outstanding Bonds on such Interest Payment Date;
3. The Sinking Fund Installments, if any, due on all Outstanding Bonds on such Interest Payment Date;
4. The Redemption Price due on all Outstanding Bonds on any Redemption Date in accordance with the Resolution; and
5. 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 for which revenue bonds may be issued pursuant to 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 Standard Resolution Provisions, 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)*

## 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 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 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:

(1) Interest on Variable Interest Rate Bonds shall be based on the Estimated Average Interest Rate applicable thereto.

(2) 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.

(3) 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.

(4) 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.

(5) 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 Bonds 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 Obligations accruing during such period and (ii) that portion of each Principal Installment for such Bonds and Parity Reimbursement Obligations 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 Obligations; *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:

(a) 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

(b) 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 (A) 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 (B) 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 Resolution and referred to in the Resolution.

**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 Department of the Treasury of the United States of America, then by the custodian designated by the Department of the Treasury of the United States of America,

(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) shares or an interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as from time to time amended, whose objective is to maintain a constant share value of \$1.00 per share and that is rated in the highest Rating Category for short-term obligations by at least one Rating Agency; and
- (m) 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 provisions of the Resolution; 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 Resolution 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 Resolution.

**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 of the United States of America 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.

**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 Resolution, 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 Resolution, 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 Resolution 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 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 Parity Reimbursement Obligations; 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 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 Resolution 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 Resolution, 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 Costs of a Project 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:

1. 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;

2. (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

3. A certificate by the Director of the Budget stating that the amounts set forth pursuant to paragraph 1 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 paragraph 2(II) above for any State Fiscal Year set forth pursuant to paragraph (2)(II) 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 this section 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 undismitted 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 Resolution, 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 Resolution, 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.

*(Sections A-402, A-403, and A-404)*

### **The Pledge Effected by the Resolution**

The Bonds are special obligations of the Issuer payable solely from the sources set forth in this section. There is 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 Obligations, 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 Obligations shall be superior in all respects to any pledge or lien now or hereafter created for indebtedness or other obligations secured by the Subordinated Payment Fund.

The Issuer represents and warrants that under the Enabling Act (i) the pledge set forth in the first paragraph of this section 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 this 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)*

### **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 Resolution 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 Resolution; 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 this section, 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 this section.

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 Resolution, 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 Resolution expressly agree that it shall be an integral part of the contract arising under the Resolution 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 this section. 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 this section, 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 this section, 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 Resolution to be an integral part of the contract arising under the Resolution 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 Resolution, (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 Resolution, (ii) to extinguish the existing lien on Pledged Property created under the Resolution, 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 Resolution, in each case only so long as such assumption, extinguishment and substitution is accomplished in accordance with this section. (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 this section.)

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. 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 Resolution 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 this section 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 this section (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 this section).

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 this section and the Enabling Act.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to this section (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 this section). 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 provided for in this section 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 this section, 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 this section) 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 this section). 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 this section 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.

*(Section A-612)*

### **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 Resolution. 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 Resolution 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 this section.

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 this section 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 this section 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 this section 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 Obligations 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 Obligations 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:

1. 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;
2. 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;
3. 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;
4. 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;
5. 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;

6. 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;

7. 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;

8. 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;

9. 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;

10. 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;

11. 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;

12. 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 Resolution 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;

13. 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;

14. Notwithstanding the Resolution, 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;

15. To modify the pledge effected by Section 501 of the Resolution and such other provisions of the Resolution solely to give effect to an assumption, extinguishment and substitution consistent with the Resolution;

16. 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 Tax-Exempt Bonds, to provide for the delivery of a Series of Bonds or a portion of a Series of Bonds incorporating detachable call options;

17. To modify, with prior written notice to each Rating Agency, the definition of Qualified Swap Provider; or

18. 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 Resolution, 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 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 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 the 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 Resolution.



The Trustee is authorized to accept delivery of a certified copy of any Supplemental Resolution permitted or authorized pursuant to the Resolution 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 provisions of the Resolution.

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 Resolution or 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 this section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the 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 this section, 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 this section 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 Standard Resolution Provisions, to take effect when and as provided in this section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders for their consent thereto, 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 this section). 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 provided for in this section 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 this section, 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 provided in this section) 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 provided in this section). 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 this section 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 section 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 Resolution, 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 Resolution 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 entitled "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 Resolution, 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 Resolution 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 Resolution 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 Resolution 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 Resolution 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.

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 (b) above has been made and that said Bonds are deemed to have been paid in accordance with this section 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 this section in the manner provided in the Standard Resolution Provisions. Neither Government Obligations or moneys deposited pursuant to this section 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 Resolution 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:

1. 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.

2. 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)*

**APPENDIX C**  
**FINANCING AGREEMENT**

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## APPENDIX C

### CONFORMED COPY OF STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE) FINANCING AGREEMENT

STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE) FINANCING AGREEMENT (the “Financing Agreement”), dated as of July 1, 2009, 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, 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 (General Purpose) General Bond Resolution on April 29, 2009 (including Annex A thereto), and a Supplemental Resolution (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 (General Purpose), 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 (General Purpose) 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 constitutional and statutory audit powers granted the State or any officer thereof, 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 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 entered into pursuant to this Section 5.3 in any manner; provided that no such amendment, modification or rescission 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 rescission 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 rescission, 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.

State of New York

\_\_\_\_\_  
Director of the Budget

Dormitory Authority of the State of New York

\_\_\_\_\_  
Authorized Officer

Approval as to form:  
Attorney General

By: \_\_\_\_\_

Date: \_\_\_\_\_

Approved:

By: \_\_\_\_\_  
State Comptroller

Date: \_\_\_\_\_



## APPENDIX D

### PROPOSED FORMS OF BOND COUNSEL OPINIONS

FORM OF APPROVING OPINION OF SIDLEY AUSTIN LLP,  
CO-BOND COUNSEL TO THE AUTHORITY FOR THE SERIES 2010E BONDS,  
THE SERIES 2010G BONDS AND THE SERIES 2010H BONDS

October \_\_, 2010

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 \$562,510,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2010E (Tax-Exempt) (the “Series 2010E Bonds”), \$149,455,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2010G (Federally Taxable) (the “Series 2010G Bonds”) and \$549,405,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2010H (Federally Taxable – Build America Bonds) (the “Series 2010H Bonds”).

The Series 2010E Bonds, the Series 2010G Bonds and the Series 2010H Bonds shall be herein referred to collectively as the “Series 2010 EGH Bonds”. Hawkins Delafield & Wood LLP, acting in its capacity as bond counsel to the Authority in connection with the Authority’s issuance of its \$55,490,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2010F (Tax-Exempt) (the “2010F Bonds”) will provide a separate opinion with respect to the 2010F Bonds.

The Series 2010 EGH 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, as amended (the “Enabling Act”), and pursuant and subject to the provisions, terms and conditions of (i) the State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution of the Authority adopted on April 29, 2009 (the “General Purpose General Resolution”), (ii) the Authority’s Supplemental Resolution 2009-5 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by the Authority on July 29, 2009 (“Supplemental Resolution 2009-5”), (iii) the Authority’s Supplemental Resolution 2010-5 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by the Authority on May 19, 2010 (“Supplemental Resolution 2010-5”) and (iv) the Authority’s Supplemental Resolution 2010-6 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by the Authority on July 28, 2010 (“Supplemental Resolution 2010-6” and, together with Supplemental Resolution 2009-5 and Supplemental Resolution 2010-5, the “Series 2010 Supplemental Resolutions”). The Series 2010 Supplemental Resolutions, together with the General Purpose General Resolution, being herein, except as the context otherwise indicates, called the “General Purpose Resolutions”.

The Series 2010 EGH Bonds, together with any additional series of bonds which have heretofore been issued or may hereafter be issued under the General Purpose General Resolution (collectively, the “General Purpose Bonds”), are authorized to be issued from time to time for the purposes authorized by the Enabling Act and the General Purpose General Resolution, as then in effect, and without limitation as to amount, except as provided in the General Purpose Resolutions or as may be limited by law. The Series 2010 EGH Bonds are being issued for the purposes set forth in the General Purpose Resolutions. The Authority is authorized to issue General Purpose Bonds, in addition to the Series 2010 EGH Bonds, only upon the terms and conditions set forth in the General Purpose General Resolution, as then in effect, and such General Purpose Bonds, when issued, will with the Series 2010 EGH Bonds be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Purpose Resolutions.

Unless otherwise defined herein, capitalized terms used herein have the respective meanings given to them in the General Purpose Resolutions.

The Series 2010 EGH Bonds are issuable only in the form of fully registered Bonds in denominations of \$5,000 or integral multiples thereof. Interest on the Series 2010E Bonds is to be payable on August 15 and February 15 of each year, commencing February 15, 2011. Interest on the Series 2010G Bonds and Series 2010H Bonds is to be payable on September 15 and March 15 of each year, commencing March 15, 2011.

The Series 2010E Bonds are dated and bear interest from their date of delivery and mature on February 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 2010 Supplemental Resolutions concurrently with the issuance of the Series 2010E Bonds.

The Series 2010G Bonds and Series 2010H 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 respective Certificates of Determination executed and delivered pursuant to the Series 2010 Supplemental Resolutions concurrently with the issuance of the Series 2010G Bonds and Series 2010H Bonds.

Each series of the Series 2010 EGH 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 July 1, 2009, as supplemented (as supplemented, the “General Purpose 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 General Purpose Bonds, including the Series 2010 EGH Bonds. All amounts payable under the General Purpose Financing Agreement have been pledged by the Authority for payment of the principal or Redemption Price of and interest on the General Purpose Bonds, including the Series 2010 EGH Bonds.

In rendering the opinions set forth herein, we have reviewed the General Purpose Resolutions, the General Purpose Financing Agreement, the Tax Certificate of the Authority, dated as of the date hereof, relating to the Series 2010E Bonds (the “Series 2010E 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 current 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 General Purpose Resolutions and to issue the Series 2010 EGH Bonds thereunder.

2. The Series 2010 Supplemental Resolutions have been duly adopted by the Authority in accordance with the provisions of the General Purpose General Resolution and are authorized and permitted by the General Purpose General Resolution. The General Purpose 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 2010 EGH 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 General Purpose Resolutions. The Series 2010 EGH Bonds are legal, valid and binding special obligations of the Authority payable as provided in the General Purpose Resolutions, are enforceable in accordance with their respective terms and the terms of the General Purpose Resolutions and are entitled to the benefits of the General Purpose Resolutions, the Authority Act and the Enabling Act.

4. The Authority has the right and lawful authority and power to enter into the General Purpose Financing Agreement and the General Purpose Financing Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms; and pursuant to the terms of the General Purpose Financing Agreement, the obligation of the State, subject to the executory provisions contained in the General Purpose Financing Agreement, to fund or to pay the amounts provided to be funded or paid thereunder are absolute and unconditional.

5. The Series 2010 EGH Bonds are payable solely from the sources described in the General Purpose Resolutions and do not constitute a debt or liability of the State.

6. Neither the Authority nor the Holders of the Series 2010 EGH 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. Under current law, interest on the Series 2010 EGH 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.

8. 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 2010E 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 2010E Bonds to be included in gross income retroactive to the date of issue of the Series 2010E Bonds. In rendering the following opinions, we have relied on certain representations, undertakings, certifications of fact and statements of reasonable expectations made by the Authority, the New York State Department of Mental Hygiene ("DMH"), each voluntary agency receiving a loan from the Authority financed with proceeds of the Series 2010E Bonds, the State University of New York ("SUNY"), the State University Construction Fund ("SUCF"), the City University of New York ("CUNY"), the City University Construction Fund ("CUCF"), the New York State Department of Education ("SED") and others without undertaking to verify the same by independent investigation, and we have assumed compliance by the Authority, DMH,

each voluntary agency receiving a loan from the Authority financed with proceeds of the Series 2010E Bonds, SUNY, SUCF, CUNY, CUCF, SED and such others with certain ongoing covenants to carry out such undertakings and comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2010E Bonds from gross income under Section 103 of the Code. Furthermore, in rendering the opinions below, we have assumed, without independent investigation, the correctness of the opinion of Hawkins Delafield & Wood LLP delivered in connection with the issuance of the Series 2010F Bonds that the interest on the Series 2010F Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. We have not been requested to review, and have not reviewed, any matter or conducted any investigation or examination relating to the federal, state or local tax consequences of the ownership or disposition of, or the accrual or receipt of interest on, the Series 2010F Bonds, and render no opinion with respect to the Series 2010F Bonds.

Except as provided in the following two sentences, interest on the Series 2010E Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code under current law. Interest on the Series 2010E 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 2010E Bonds, as described above, fails to comply subsequent to the issuance of the Series 2010E 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 2010E Bond proceeds and the timely payment of certain investment earnings to the U.S. Treasury. We render no opinion as to the effect on the exclusion from gross income of the interest on the Series 2010E Bonds for federal income tax purposes of any action taken or not taken after the date of this opinion without our approval. Furthermore, we render no opinion with respect to the effect on the exclusion from gross income of the interest on the Series 2010E Bonds for federal income tax purposes of any action taken or not taken with respect to the Series 2010F Bonds.

9. Interest on the Series 2010E Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. The Code contains other provisions, however, that could result in tax consequences, upon which we render no opinion, as a result of ownership of such Series 2010E Bonds or the inclusion in certain computations of interest that is excluded from gross income.

10. The excess, if any, of the amount payable at maturity of any maturity of the Series 2010E Bonds over the initial offering price of such Series 2010E 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 2010E 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 2010E Bonds with original issue discount will be increased by the amount of such accrued interest.

The opinions expressed herein are based on an analysis of current 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 2010 EGH Bonds, the General Purpose Resolutions and the General Purpose

Financing Agreement 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,

FORM OF APPROVING OPINION OF HAWKINS DELAFIELD & WOOD LLP,  
CO-BOND COUNSEL TO THE AUTHORITY FOR THE SERIES 2010E BONDS,  
THE SERIES 2010G BONDS AND THE SERIES 2010H BONDS AND  
BOND COUNSEL TO THE AUTHORITY FOR THE SERIES 2010F BONDS

Upon delivery of the Series 2010E Bonds, the Series 2010F Bonds, the Series 2010G Bonds and the Series 2010H Bonds, Hawkins Delafield & Wood LLP, Co-Bond Counsel to the Authority with respect to the Series 2010E Bonds, the Series 2010G Bonds and the Series 2010H Bonds and Bond Counsel to the Authority with respect to the Series 2010F Bonds, proposes to issue its legal opinion in substantially the following form:

HAWKINS DELAFIELD & WOOD LLP  
ONE CHASE MANHATTAN PLAZA  
NEW YORK, NEW YORK 10005

Dormitory Authority of the  
State of New York  
515 Broadway  
Albany, New York 12207

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$562,510,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2010E (Tax-Exempt) (the “Series 2010E Bonds”), \$55,490,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2010F (Tax-Exempt) (the “Series 2010F Bonds”), \$149,455,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2010G (Federally Taxable) (the “Series 2010G Bonds”), and \$549,405,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2010H (Federally Taxable – Build America Bonds) (the “Series 2010H Bonds” and, together with the Series 2010E Bonds, the Series 2010F Bonds and the Series 2010G Bonds, the “Series 2010 Bonds”) of 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 created and existing under the Dormitory Authority Act, being Chapter 524 of the Laws of New York of 1944, as amended (the “Dormitory Authority Act”).

The Series 2010 Bonds are issued under and pursuant to the Dormitory Authority Act, the New York State Medical Care Facilities Finance Authority Act, being Chapter 392 of the Laws of New York of 1973, as amended, and the Health Care Financing Consolidation Act, being a part of Chapter 83 of the Laws of New York of 1995 (collectively, the “Act”), Part I of Chapter 383 of the Laws of New York of 2001, as amended (the “Enabling Act”), and the State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution adopted by the Authority on April 29, 2009 (the “Bond Resolution”), as supplemented by Supplemental Resolution 2009-5 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by the Authority on July 29, 2009, Supplemental Resolution 2010-5 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by the Authority on May 19, 2010, and Supplemental Resolution 2010-6 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by the Authority on July 28, 2010 (collectively, the “Series 2010 Supplemental Resolutions”). The Bond Resolution and the Series 2010 Supplemental Resolutions are herein collectively referred to as the “Resolutions”. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions. The Authority has reserved the right to issue additional Bonds on the terms and conditions and for the purposes stated in the Bond

Resolution. Under and subject to the terms of the Bond Resolution, the Series 2010 Bonds and all Bonds heretofore and hereafter issued under the Bond Resolution rank and will rank equally as to security and payment. In addition, all State Personal Income Tax Revenue Bonds issued pursuant to the Enabling Act by Authorized Issuers for Authorized Purposes are on a parity with each other as to payments from the Revenue Bond Tax Fund established by Section 92-z of the New York State Finance Law (the “Revenue Bond Tax Fund”), subject to annual appropriation by the New York State Legislature.

Pursuant to the Enabling Act, neither the Authority nor the owners of the Series 2010 Bonds have or will have a lien on the monies on deposit in the Revenue Bond Tax Fund. In addition, pursuant to the Enabling Act, nothing contained therein shall be deemed to restrict the right of the State of New York to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed pursuant to Article 22 of the New York Tax Law.

We are of the opinion that:

1. The Authority has been duly created and is validly existing under the Act and has the right, power and authority to adopt the Resolutions and the Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms.

2. The Resolutions create the valid pledge which they purport to create of the Pledged Property, subject to the application thereof to the purposes and on the conditions permitted by the Resolutions.

3. The Series 2010 Bonds have been duly and validly authorized and issued by the Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor in the Resolutions.

4. The Series 2010 Bonds are not a debt of the State of New York, and the State of New York is not liable thereon, nor shall the Series 2010 Bonds be payable out of funds of the Authority other than those pledged for the payment of the Series 2010 Bonds.

5. The Financing Agreement dated as of July 1, 2009, between the Authority and the Director of the Budget of the State of New York (the “Financing Agreement”), has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery thereof by the Director of the Budget of the State of New York, constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

6. Under existing statutes and court decisions, (i) interest on the Series 2010E Bonds and the Series 2010F Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), except that no opinion is expressed as to such exclusion of interest on any Series 2010F Bond for any period during which such Series 2010F Bond is held by a person who, within the meaning of section 147(a) of the Code, is a “substantial user” of the facilities financed with proceeds of the Series 2010F Bonds or a “related person”, and (ii) interest on the Series 2010E Bonds and the Series 2010F Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, the New York State Department of Mental Hygiene (“DMH”), each voluntary agency receiving a loan from the Authority financed with proceeds of the Series 2010E Bonds or the Series 2010F Bonds, the State University of New York (“SUNY”), the State

University Construction Fund (“SUCF”), the City University of New York (“CUNY”), the City University Construction Fund (“CUCF”), the New York State Department of Education (“SED”), and others, and we have assumed compliance by the Authority, DMH, each voluntary agency receiving a loan from the Authority financed with proceeds of the Series 2010E Bonds and the Series 2010F Bonds, SUNY, SUCF, CUNY, CUCF, SED and such others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2010E Bonds and the Series 2010F Bonds from gross income under Section 103 of the Code.

7. Interest on the Series 2010G Bonds and the Series 2010H Bonds is included in gross income for Federal income tax purposes pursuant to the Code.

8. Under existing statutes, interest on the Series 2010 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York and the City of Yonkers).

We express no opinion regarding any other Federal or state tax consequences with respect to the Series 2010 Bonds. We render this opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any, facts or circumstances that may hereafter come to our attention, or changes in law or interpretations thereof that may hereafter occur, or for any other reason. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2010E Bonds or the Series 2010F Bonds, or the exemption from personal income taxes of interest on the Series 2010 Bonds under state and local tax law.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2010 Bonds, the Resolutions and the Financing Agreement may be limited by bankruptcy, insolvency and other laws affecting creditors’ rights or remedies heretofore or hereafter enacted and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed Series 2010E Bond, an executed Series 2010F Bond, an executed Series 2010G Bond and an executed Series 2010H Bond and, in our opinion, the forms of said Bonds and their execution are regular and proper.

Very truly yours,



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DORMITORY AUTHORITY OF THE STATE OF NEW YORK • STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE)  
SERIES 2010E (TAX-EXEMPT), SERIES 2010F (TAX-EXEMPT), SERIES 2010G (FEDERALLY TAXABLE), AND SERIES 2010H (FEDERALLY TAXABLE – BUILD AMERICA BONDS)



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