Moody's: Aa3
S&P: AA-
(see "Ratings" herein)

NEW ISSUE

$129,375,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
LEASE REVENUE BONDS
(STATE UNIVERSITY DORMITORY FACILITIES ISSUE), SERIES 2008A

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

Payment: The Lease Revenue Bonds (State University Dormitory Facilities Issue), Series 2008A (the "Series 2008A Bonds") will be special obligations of the Dormitory Authority of the State of New York (the "Authority"). Principal and Redemption Price of, and interest on, the Series 2008A Bonds are payable primarily from moneys to be paid by the State University of New York (the "University") under the Lease and Agreement dated as of September 20, 1995 between the Authority and the University, as amended and restated as of September 24, 2003 (the "Agreement"), and as otherwise provided by the Authority's Lease Revenue Bond Resolution (State University Dormitory Facilities Issue), adopted by the Authority on September 20, 1995, as amended and restated on September 24, 2003 (the "Resolution"), and the Authority's Lease Revenue Bonds (State University Dormitory Facilities Issue) Series 2008A Resolution Authorizing Up To $225,000,000 Series 2008A Bonds, adopted by the Authority on May 28, 2008 (the "Series 2008A Resolution").

The Series 2008A Bonds will not be a debt of the State of New York (the "State") or the University, nor will the State or the University be liable thereon. The Authority has no taxing power.

Description: The Series 2008A Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. Interest (due semiannually each January 1 and July 1, commencing January 1, 2009) will be payable by check mailed to the registered owners thereof and principal and Redemption Price of the Series 2008A Bonds will be payable at the principal corporate trust office of Manufacturers and Traders Trust Company, Buffalo, New York, the Trustee and Paying Agent.

The Series 2008A Bonds will be issued initially under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Individual purchases of beneficial interests in the Series 2008A Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2008A Bonds, payments of the principal and Redemption Price of and interest on such Series 2008A Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "PART 2 - DESCRIPTION OF THE SERIES 2008A BONDS - Book-Entry Only System" herein.

Redemption or Purchase: The Series 2008A Bonds are subject to redemption or purchase prior to maturity as more fully described herein.

Tax Exemption: In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law (i) assuming compliance with certain covenants and the accuracy of certain representations, interest on the Series 2008A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (ii) interest on the Series 2008A Bonds is exempt from personal income taxes imposed by the State of New York and political subdivisions thereof, including The City of New York and the City of Yonkers. Interest on the Series 2008A Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see "PART 11 - TAX MATTERS" herein.

The Series 2008A Bonds are offered when, as and if issued and received by the Underwriters. The offer of the Series 2008A Bonds may be subject to prior sale, or may be withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Squire, Sanders & Dempsey L.L.P., New York, New York, Bond Counsel to the Authority, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by Winston & Strawn LLP, New York, New York, Counsel to the Underwriters. The Authority expects to deliver the Series 2008A Bonds in definitive form in New York, New York, on or about September 11, 2008.

DEPFA First Albany Securities LLC	**Jackson Securities**
Banc of America Securities LLC	**Morgan Stanley**
MR Beal & Company	**Roosevelt & Cross, Incorporated**

August 22, 2008

$129,375,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
LEASE REVENUE BONDS
(STATE UNIVERSITY DORMITORY FACILITIES ISSUE), SERIES 2008A

Due July 1	Amount	Interest Rate	Price or Yield	CUSIP[1]	Due July 1	Amount	Interest Rate	Price or Yield	CUSIP[1]
2009	$1,230,000	3.000%	1.650%	64983M2Z0	2018	$4,865,000	5.000%	3.970%	64983M3M8
2010	1,065,000	3.000	2.180	64983M3A4	2019	5,110,000	5.000	4.130*	64983M3N6
2011	3,620,000	3.000	2.590	64983M3B2	2020	5,360,000	5.000	4.270*	64983M3P1
2012	3,735,000	3.250	2.850	64983M3C0	2021	3,025,000	4.250	4.380	64983M3Q9
2013	1,540,000	3.250	3.090	64983M3D8	2021	2,600,000	5.000	4.380*	64983M3R7
2013	2,320,000	5.000	3.090	64983M3E6	2022	5,895,000	5.000	4.460*	64983M3S5
2014	4,020,000	5.000	3.300	64983M3F3	2023	6,185,000	5.000	4.520*	64983M3T3
2015	485,000	3.750	3.470	64983M3G1	2024	3,050,000	5.000	4.580*	64983M3U0
2015	3,740,000	5.000	3.470	64983M3H9	2025	3,205,000	5.000	4.640*	64983M3V8
2016	1,890,000	4.000	3.640	64983M3J5	2026	3,360,000	5.000	4.690*	64983M3W6
2016	2,540,000	5.000	3.640	64983M3K2	2027	3,530,000	5.000	4.740*	64983M3X4
2017	4,635,000	5.000	3.810	64983M3L0	2028	3,700,000	4.500	4.750	64983M3Y2

$21,385,000 5.000% Series 2008A Term Bonds Due July 1, 2033 to Yield 4.900%* CUSIP Number[1] 64983M3Z9
$27,285,000 5.000% Series 2008A Term Bonds Due July 1, 2038 to Yield 4.950%* CUSIP Number [1] 64983M4A3

(1) Copyright 2007, American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2008A Bonds. Neither the Authority, the State or the Underwriters are responsible for the selection or uses of these CUSIP numbers and no representation is made as to their correctness on the Series 2008A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2008A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2008A Bonds.

* Priced to July 1, 2018 par call.

No dealer, broker, salesperson or other person has been authorized by the Authority, the State or the University to give any information or to make any representations with respect to the Series 2008A Bonds other than those contained in this Official Statement. If given or made, such information or representations must not be relied upon as having been authorized by the Authority, the State or the University.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2008A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information in this Official Statement has been supplied or authorized by the University and the State, sources that the Authority believes are reliable. The Authority does not guarantee the accuracy or completeness of such information, however, and the information provided by such sources is not to be construed as a representation of the Authority. See "PART 18 - SOURCES OF INFORMATION AND CERTIFICATIONS" of the Official Statement for a description of the information provided by the various sources.

References in this Official Statement to the Act, the Resolution, the Agreement and the Continuing Disclosure Agreement do not purport to be complete. Refer to the Act, the Resolution, the Agreement and the Continuing Disclosure Agreement for full and complete details of their provisions. Copies of the Resolution, the Agreement and the Continuing Disclosure Agreement are on file with the Authority and the Trustee.

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

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

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

TABLE OF CONTENTS

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

$129,375,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
LEASE REVENUE BONDS
(STATE UNIVERSITY DORMITORY FACILITIES ISSUE), SERIES 2008A

PART 1 – INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page, the inside cover page and appendices, is to provide information about the Authority, the University and the State, all in connection with the offering by the Authority of $129,375,000 principal amount of its Lease Revenue Bonds (State University Dormitory Facilities Issue), Series 2008A Bonds (the "Series 2008A Bonds"). The definitions of certain of the terms used in this Official Statement appear in Appendix A to this Official Statement.

Purpose of the Issue

The proceeds of the Series 2008A Bonds will be applied as follows: (a) for deposit in the Construction Fund, an amount, together with certain investment earnings thereon, sufficient to pay Costs of the Project; (b) to fund capitalized interest on the Series 2008A Bonds; and (c) to pay the Costs of Issuance of the Series 2008A Bonds. See "PART 5 - ESTIMATED SOURCES AND USES OF FUNDS" and "PART 6 - THE PROJECT".

Authorization of Issuance

The Series 2008A Bonds will be issued pursuant to the Resolution, the Series 2008A Resolution and the Act. In addition to the Series 2008A Bonds, the Resolution authorizes the issuance of other Series of Bonds to finance the refunding of certain obligations of the Authority and other Costs of the Project and for such other purposes as are authorized by the Resolution. All Bonds issued under the Resolution will rank on a parity with each other and will be secured equally and ratably with each other. As of June 30, 2008, the Authority had issued eighteen other Series of Bonds under the Resolution, of which $873,355,000 was Outstanding.

Payment of and Security for the Bonds

The Bonds, including the Series 2008A Bonds, are special obligations of the Authority payable from amounts to be paid annually to the Authority (the "Basic Rent") by the University pursuant to a Lease and Agreement (the "Agreement") between the Authority and the University dated as of September 20, 1995, as amended and restated as of September 24, 2003, as otherwise provided by the Resolution and from all funds and accounts (other than the Arbitrage Rebate Fund and any fund established for the payment of the purchase price or Redemption Price of Option Bonds tendered or deemed tendered for purchase) established pursuant to the Resolution. See "PART 3 - SOURCES OF PAYMENT AND SECURITY FOR THE BONDS".

The Authority has no taxing power. The Series 2008A Bonds will not be a debt of the State or the University, nor shall the State or the University be liable thereon.

The Project

The term "Project" is a cumulative term which refers to various Facilities that have been financed or may be financed in the future by the Authority for the University. The Facilities constituting a part of the Project are numerous residence facilities for students at the University, and related and attendant facilities. Facilities may be withdrawn from the Project as provided in the Agreement. See "PART 6 - THE PROJECT".

The Authority

The Authority is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public-purpose facilities and facilities for certain educational and not-for-profit institutions. The Authority has never defaulted on the timely payment of principal or sinking fund installments of, or interest on, its bonds or notes. See "PART 8 - THE AUTHORITY".

The University and the State

The University is a corporate entity created by the State Legislature within the Education Department of the State of New York and under the State Board of Regents. The University has campuses across the entire State and is more fully described under the heading "PART 7 - THE STATE UNIVERSITY OF NEW YORK". In carrying out its responsibilities and in order to operate and maintain its facilities, the University receives moneys from various sources, a substantial portion of which consists of annual appropriations of State funds. The successful maintenance and operation of the facilities of the University (including the Project) and the overall financial viability of the University are dependent upon the ability and the willingness of the State Legislature to continue making appropriations of State funds in the amounts required for the operation of the University. The security and marketability of the Series 2008A Bonds are dependent upon the continued operation and overall viability of the University. For a discussion relating to the State, see "Appendix B – Information Concerning the State of New York".

Dormitory Income Account - Revenues

Under the Agreement, the University is obligated to pay, as received, into the Dormitory Income Account all rents, fees and charges received by the University from students or other persons for the use and occupancy of the Project. See "PART 3 - SOURCES OF PAYMENT AND SECURITY FOR THE BONDS - Dormitory Income Account - Moneys Available to Pay Authority Debt Service".

Information and Certifications

Certain information concerning the University and the State (which is either included in or appended to this Official Statement) has been furnished to or received by and authorized for use by the Authority by such sources as set forth under the heading "PART 18 - SOURCES OF INFORMATION AND CERTIFICATIONS". While the Authority believes that these sources are reliable, the Authority has not independently verified this information and does not guarantee the accuracy or completeness of the information furnished by the respective sources. The Authority is relying on certificates from each source as to the accuracy of the information provided or authorized by such source.

PART 2 - DESCRIPTION OF THE SERIES 2008A BONDS

General Description

The Series 2008A Bonds will be issued pursuant to the Act, the Resolution and the Series 2008A Resolution. The Series 2008A Bonds will be dated the date of delivery, will bear interest from that date (payable January 1, 2009 and on each July 1 and January 1 thereafter) at the rates per annum and will mature on July 1 of each of the designated years in the principal amounts shown on the inside cover page of this Official Statement.

The Series 2008A Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Series 2008A Bonds will initially be registered in the name of Cede & Co., as nominee of DTC (defined under "Book-Entry Only System" below) pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Series 2008A Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2008A Bonds, the Series 2008A Bonds will be exchangeable for other fully registered Series 2008A Bonds in any other authorized denominations of the same maturity without charge except for the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. See "Book-Entry Only System" below.

Interest on the Series 2008A Bonds will be payable by check mailed to the registered owners thereof as their names appear on the registration books of the Authority at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding the applicable interest payment date. The principal or Redemption Price of the Series 2008A Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of the Trustee and Paying Agent. As long as the Series 2008A Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See "Book-Entry Only System" below.

Redemption and Purchase in Lieu of Redemption Provisions

The Series 2008A Bonds are subject to optional and mandatory redemption and to purchase in lieu of optional redemption as described below.

Optional Redemption

The Series 2008A Bonds maturing on or before July 1, 2018 are not subject to redemption prior to maturity. The Series 2008A Bonds maturing after July 1, 2018 are subject to redemption prior to maturity, at the election or direction of the Authority, beginning on or after July 1, 2018, in any order, in whole or in part, at any time, at par plus accrued interest to the date of redemption.

Mandatory Redemption

In addition, the Series 2008A Bonds maturing on July 1, 2033 and July 1, 2038 are also subject to redemption, in part, on each July 1 of the years and in the respective principal amounts set forth below, at 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on July 1 of each year the principal amount of the Series 2008A Bonds specified for each of the years shown below:

Series 2008A Term Bonds Maturing on July 1, 2033

Year	Principal Amount
2029	$3,865,000
2030	4,065,000
2031	4,265,000
2032	4,485,000
2033†	4,705,000

Series 2008A Term Bonds Maturing on July 1, 2038

Year	Principal Amount
2034	$4,935,000
2035	5,185,000
2036	5,440,000
2037	5,720,000
2038†	6,005,000

†Final Maturity

The Authority may from time to time direct the Trustee to purchase Series 2008A Bonds with moneys set aside for redemption in the Debt Service Fund, at or below par plus accrued interest to the date of such purchase, and apply any Series 2008A Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of required Sinking Fund Installments on the Series 2008A Bonds of the same maturity. To the extent the Authority's obligation to make Sinking Fund Installments in a particular year is fulfilled through such purchases, the likelihood of redemption through mandatory Sinking Fund Installments of any Bondholder's Series 2008A Bonds of the maturity so purchased will be reduced for such year.

Selection of Series 2008A Bonds to be Redeemed

In the case of Series 2008A Bonds to be redeemed at the election or direction of the Authority, the Authority will select the principal amounts and maturities of the Series 2008A Bonds to be redeemed. If less than all of the Series 2008A Bonds of a maturity are to be redeemed, the Series 2008A Bonds of such maturity to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee shall consider proper in its discretion and as prescribed in the Resolution. DTC has informed the Authority that so long as DTC acts as securities depository for the Series 2008A Bonds of a maturity, if less than all of the Series 2008A Bonds of such maturity are called for redemption, the particular Series 2008A Bonds or portions thereof to be redeemed will be selected by lot by DTC and the DTC Participants in accordance with their procedures.

Notice of Redemption

Notice of the redemption of the Series 2008A Bonds will be given by the Trustee in the name of the Authority to the registered owners of the Series 2008A Bonds to be redeemed by first-class mail, postage prepaid, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, or such shorter period provided for in a Series Resolution or a Bond Series Certificate relating to Variable Interest Rate Bonds, but the failure of any registered owners to receive notice mailed in accordance with the Resolution shall not affect the validity of the proceedings for the redemption of the Series 2008A Bonds. Notice may be given by publication once in an Authorized Newspaper, such publication to be not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, or such shorter period provided for in a Series Resolution or a Bond Series Certificate relating to Variable Interest Rate Bonds, but such publication shall not be a condition precedent to redemption, and failure to so publish or a defect in such notice or in the publication thereof shall not affect the validity of the proceedings for the redemption of the Series 2008A Bonds. Any such notice may contain conditions to the Authority's obligation to redeem the Series 2008A Bonds. See "Appendix E - Summary of Certain Provisions of the Resolution".

If, on the redemption date, moneys for the redemption of the Series 2008A Bonds of like maturity to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the Redemption Price and if notice has been mailed and the conditions, if any, to such redemption have been satisfied or waived by the Authority, then interest on the Series 2008A Bonds of such maturity will cease to accrue from and after the redemption date and such Series 2008A Bonds will no longer be considered to be Outstanding under the Resolution.

Purchase In Lieu of Optional Redemption Provisions

The Series 2008A Bonds maturing after July 1, 2018 are also subject to purchase prior to maturity, at the election of the Authority, on or after July 1, 2018, in any order, in whole or in part at any time, at par (the "Purchase Price"), plus accrued interest to the date set for purchase (the "Purchase Date") set forth in the notice of purchase to the registered owners of the Series 2008A Bonds to be so purchased.

Notice of Purchase and its Effect

Notice of the purchase of Series 2008A Bonds will be given in the name of the Authority to the registered owners of the Series 2008A Bonds to be purchased by first-class mail, postage prepaid, not less than thirty (30) days nor more than sixty (60) days prior to the Purchase Date specified in such notice. The Series 2008A Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2008A Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. Such purchase shall not operate to extinguish the indebtedness of the Authority evidenced thereby or modify the terms of the Series 2008A Bonds and such Series 2008A Bonds need not be cancelled, but shall remain Outstanding under the Resolution and in such case shall continue to bear interest.

The Authority's obligation to purchase a Series 2008A Bond to be purchased or cause it to be purchased is conditioned upon the availability of sufficient money to pay the Purchase Price for all of the Series 2008A Bonds to be purchased on the Purchase Date. If sufficient money is available on the Purchase Date to pay the Purchase Price of the Series 2008A Bonds to be purchased, the former registered owners of such Series 2008A Bonds will have no claim thereunder or under the Resolution or otherwise for payment of any amount other than the Purchase Price. If sufficient money is not available on the Purchase Date for payment of the Purchase Price, the Series 2008A Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the Purchase Date, who will be entitled to the payment of the principal of and interest on such Series 2008A Bonds in accordance with their respective terms.

In the event not all of the Outstanding Series 2008A Bonds of a maturity are to be purchased, the Series 2008A Bonds of such maturity to be purchased will be selected by lot in the same manner as Series 2008A Bonds of a maturity to be redeemed in part are to be selected.

Book-Entry Only System

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

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation ("NSCC", "FICC", "GSCC", "MBSCC", and "EMCC", respectively, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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" and together with Direct Participants, "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.dtc.com or www.dtc.org.

Purchases of Series 2008A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2008A 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, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2008A 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 any Series of the Series 2008A Bonds, except in the event that use of the book entry system for a Series of the Series 2008A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2008A 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 Series 2008A Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2008A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008A 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 the Bonds within a maturity of the Series 2008A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other nominee) will consent or vote with respect to Series 2008A Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy (the "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 2008A 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 2008A 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 receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name”, and will be the responsibility of such Participant and not of DTC, the 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 Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its service as securities depository with respect to the Series 2008A Bonds at any time by giving notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the Series 2008A Bond certificates are required to be delivered as described in the Resolution.

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

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

So long as Cede & Co. is the registered owner of the Series 2008A Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2008A Bonds (other than under the captions “TAX MATTERS” and “CONTINUING DISCLOSURE” herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2008A Bonds.

Any references to any action required or permitted by the Beneficial Owner shall relate only to those permitted by act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Trustee to DTC only.

For every transfer and exchange of Series 2008A 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.

PART 3 - SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

Set forth below is a narrative description of certain contractual and legislative provisions relating to the sources of payment of and security for the Bonds and for the Rentals. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Resolution and the Agreement for a more complete description of such provisions. Copies of the Resolution and the Agreement are on file with the Authority and the Trustee. For a more complete statement of the rights, duties and obligations of the parties thereto, see also "Appendix D - Summary of Certain Provisions of the Agreement" and "Appendix E - Summary of Certain Provisions of the Resolution" .

General

The Bonds issued under the Resolution, including the Series 2008A Bonds, are special obligations of the Authority payable solely from the Revenues. The Revenues consist of the Basic Rent payable by the University to the Authority under the Agreement and all rents, income and profits from the operation, reletting or sale of the Facilities upon the Authority's reentry upon the Facilities. The Revenues and the right to receive them have been pledged for the benefit of the Holders of the Bonds, including the Series 2008A Bonds. The Authority reserves the right to issue bonds under separate resolutions which would be payable on a parity basis with the Bonds, including the Series 2008A Bonds.

The Authority has no taxing power. The Bonds, including the Series 2008A Bonds, are not a debt of the State or the University nor shall the State or the University be liable thereon.

Payment of the Bonds

The Bonds, including the Series 2008A Bonds, are special obligations of the Authority payable primarily from the Basic Rent. Basic Rent is one of the major components of Rentals, which are amounts required to be paid as described hereafter to the Authority by the University pursuant to the Agreement.

The obligation to pay the Rentals is a general obligation of the University payable from all legally available sources. The University may make its payments of the Rentals from various sources, including amounts on deposit in the Dormitory Income Account, all of which are more fully described below under the caption "Dormitory Income Account - Moneys Available to Pay Authority Debt Service". As discussed under such caption, in accordance with the Agreement excess moneys in the Dormitory Income Account (i.e., amounts in excess of the Dormitory Income Account Reserve Requirement) may be withdrawn by the University and used for any other valid purpose of the University; provided, however, no withdrawal will be made from the Dormitory Income Account for this purpose unless, after giving effect to that withdrawal, the amount then on deposit in the Dormitory Income Account exceeds the amount of Rentals that remain payable during the then current Bond Year.

Although the Bonds are payable primarily from the Rentals, the continued viability of the University is dependent upon the ability and willingness of the State to continue making annual appropriations of State funds in the amounts required for the operation of the University and there can be no assurance that these funds will be appropriated or available. The security and marketability of the Bonds are dependent upon the continued operation and overall viability of the University. For a discussion relating to the State, see "Appendix B - Information Concerning the State of New York".

Payment of Rentals

The Rentals include, among other amounts, the Basic Rent and additional rent. Basic Rent is comprised of amounts which are sufficient to pay debt service as it becomes due on the Bonds. The University is required to pay Basic Rent in the amounts and on the dates as follows:

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

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

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

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

Additional rent is required to be paid periodically to the Authority pursuant to the Agreement in amounts sufficient to pay certain administrative expenses of the Authority, the Trustee and the Paying Agents, plus the amount, if any, required to be rebated (in excess of the amount on deposit in the Arbitrage Rebate Fund) in connection with the Bonds.

The University has covenanted and agreed that so long as the University shall be in possession of the Project under the Agreement, rents, fees and charges that are charged and collected for the use and occupancy of the Project shall be (i) sufficient at all times (a) to pay the Rentals for such Fiscal Year, (b) to pay the cost of operating, maintaining, repairing and renovating the Project for the then current Fiscal Year, (c) to maintain the Dormitory Income Account Reserve Requirement, and (d) to pay all other expenses required to be paid by the University pursuant to the Agreement, and (ii) deposited in the Dormitory Income Account for such purposes. The University has further agreed that it shall pay the Rentals required by the Agreement in the manner and at the times provided by the Agreement from the Dormitory Income Account, and if the moneys in the Dormitory Income Account are insufficient for such payments, then the University shall pay the same from any other moneys of the University legally available.

The cost and expense of the performance by the University of its obligations under the Agreement and the incurrence of any liabilities thereunder, including the payment of all Rentals and other amounts required to be paid by the University under the Agreement, shall be deemed executory to the extent of moneys legally available to the University for such purpose.

The Agreement shall remain in full force and effect until all Bonds and interest thereon have been paid or otherwise discharged.

Security for the Bonds

Payment of the principal, Sinking Fund Installments and interest on the Bonds, including the Series 2008A Bonds, will be secured by the Revenues, proceeds from the sale of Bonds, and by all funds and accounts established under the Resolution (with the exception of the Arbitrage Rebate Fund and any fund established for the payment of the purchase price or Redemption Price of Option Bonds tendered or deemed tendered for purchase). The security for the Series 2008A Bonds will be for the benefit of all other Bonds issued under the Resolution, which Bonds will rank on a parity and be secured equally and ratably with each other and with the Series 2008A Bonds. The aggregate principal amount of Bonds which may be issued pursuant to the Resolution is not limited except as so provided in the Resolution and the Act.

Moreover, pursuant to the Resolution, the Authority reserves the right to issue bonds, notes or any other obligations pursuant to other and separate resolutions of the Authority, on a parity with the Bonds then Outstanding, entitled to a charge or lien or right equal, but not prior, to the charge or lien created by the Resolution or equal, but not prior, to the rights of the Authority and Holders of Bonds provided by the Resolution or with respect to the moneys pledged by the Resolution. The Authority also reserves the right to issue bonds, notes, or any other obligations pursuant to other and separate resolutions of the Authority, which are secured on a parity basis by payments to be made by the University pursuant to the Agreement, including payments from moneys held in the Dormitory Income Account. In the event that there is more than one resolution (including the Resolution) and the moneys legally available to the University, including moneys held in the Dormitory Income Account, are insufficient to make payments to satisfy the University's obligations to pay the Basic Rent payable on account of bonds issued pursuant to the resolutions, the University shall apportion the available moneys, pro rata, based upon the Basic Rent payable on account of bonds issued pursuant to each resolution. Payments of all other Rentals shall also be made, in the event of insufficiencies, on a pro rata basis based on the amount of Rentals payable on account of bonds issued pursuant to each resolution, but only after all Basic Rent is paid. See "Appendix D - Summary of Certain Provisions of the Agreement" and "Appendix E - Summary of Certain Provisions of the Resolution".

Ability to Grant Rights to Providers of Credit Facilities

Pursuant to the Resolution, if provided in or authorized by a Series Resolution, the Authority may provide for the rights of the Facility Provider of a Credit Facility in connection with a Series of Bonds, which rights may include that, whenever by the terms of the Resolution the Holders of any percentage in principal amount of Outstanding Bonds may exercise any right or power, consent to any amendment, change, modification or waiver, or request or direct the Trustee to take an action, such Facility Provider may be deemed to be the Holder of such Bonds.

Defaults and Remedies Under the Agreement

Among the events which would constitute an "event of default" under the Agreement is the failure by the University to pay the Rentals when they become due or failure to observe or perform any of the covenants, conditions or agreements contained in the Agreement which continues for the applicable grace period after notice of such failure has been given to the University. Upon the occurrence of an event of default resulting from a failure by the University to comply with the Agreement, the Authority may (i) reenter and take possession of one or more of the Facilities without terminating the Agreement and sublet the same for the account of the University, holding the University liable for the difference in the Rentals and other amounts required to be paid under the Agreement and the rents and other amounts paid upon such subletting or (ii) terminate the Lease Term and lease one or more of the Facilities for the account of the University, holding the University liable for all Rentals and other amounts required under the Agreement and not paid by such other lessee or (iii) to the extent permitted by law, terminate the Lease Term and sell one or more Facilities, holding the University liable for all Rentals and other amounts due under the Agreement and not paid by such purchasers. Upon the occurrence of any event of default under the Agreement, the Authority may exercise any other remedies available by law. For a more complete description of the defaults and remedies under the Agreement, see "Appendix D - Summary of Certain Provisions of the Agreement".

If the University cures an event of default under the Agreement and fully pays all amounts required to be paid by it under the Agreement, such event of default will be waived and, if the Agreement or the Lease Term has been terminated, the Agreement will be reinstated with respect to any Facility or Leased Property which has not been sold or relet for a period of at least a year.

The failure of the University to pay when due any payment required to be made under the Agreement or to observe and perform its other obligations under the Agreement, which results from moneys not being legally available to the University for such purpose, will not constitute an "event of default" under the Agreement. However, upon such failure the Authority may terminate the Agreement upon at least 30 days prior notice. Upon termination, the University's obligation to pay the Rentals will terminate and the Authority is to exclude the University from possession of the Leased Property and the Facilities and use its best efforts to lease the same to another party or, to the extent permitted by law, sell the Leased Property and the Facilities. The rents paid upon such reletting and the proceeds of any sale are pledged by the Authority to the Trustee for the benefit of the Bondholders.

Dormitory Income Account - Moneys Available to Pay Authority Debt Service

The Agreement requires the University to establish and maintain the Dormitory Income Account with the Comptroller of the State of New York (the "State Comptroller"), separate and apart from all other funds, moneys and accounts of the University.

Under the Agreement, the University is obligated to pay, as received, into the Dormitory Income Account all rents, fees and charges received by the University from students or other persons for the use and occupancy of the Project. Except as described below, all moneys required to be paid to the Dormitory Income Account shall, subject to the legal availability thereof, be used to pay the Rentals required to be paid to the Authority by the University under the Agreement. The provisions relating to the Dormitory Income Account shall constitute a pledge of and lien on the moneys required to be paid therein to the extent of the Agreement.

If, at any time, the amount then on deposit in the Dormitory Income Account exceeds the amount of Rentals that remain payable during that Bond Year, then the excess may be used to pay the cost of operating, maintaining, repairing and renovating the Project pursuant to the Agreement. In addition, so long as no event of default on the part of the University is occurring under the Agreement, any moneys in the Dormitory Income Account in excess of the Dormitory Income Account Reserve Requirement (defined hereafter) as of the last day of each Fiscal Year may, upon submission of the Annual Report required by the Agreement, be paid to the University for any lawful purpose of the University free of the lien and pledge created pursuant to the Agreement; provided, however, no payment will be made from the Dormitory Income Account for this purpose unless at the time of, and after giving effect to, that payment, the amount then on deposit in the Dormitory Income Account exceeds the amount of Rentals that remain payable during the then current Bond Year.

Pursuant to the Agreement, the University covenants to maintain the Dormitory Income Account Reserve in the amount of the Dormitory Income Account Reserve Requirement, which is the sum of (i) the Operating and Maintenance Reserve Requirement and (ii) the Repair and Rehabilitation Reserve Requirement.

The "Operating and Maintenance Reserve Requirement" is, as of the last day of each Fiscal Year, the amount equal to five (5) percent of the amount disbursed from the Dormitory Income Account for operation and maintenance costs of the Project during the Fiscal Year prior to the Fiscal Year of calculation. The "Repair and Rehabilitation Reserve Requirement" is, as of the last day of each Fiscal Year, an amount equal to the greater of: (i) twenty (20) percent of the amount set forth in the Capital Plan to be funded from moneys in the Dormitory Income Account for repair and rehabilitation of the Project during the next succeeding five Fiscal Years; or (ii) one hundred (100) percent of the amount to be funded from moneys in the Dormitory Income Account for repair and rehabilitation of the Project during the next succeeding Fiscal Year in accordance with the Capital Plan; provided, however, that such amount will be reduced by the amount of any moneys withdrawn for the purpose of repairing, renovating or improving the Project in accordance with the Agreement until the last day of the Fiscal Year following the Fiscal Year during which that amount was withdrawn. Pursuant to the Resolution and the Agreement, the Dormitory Income Account Reserve Requirement may be changed at any time so long as no Rating Service then rating the Bonds reduces or withdraws its rating as a result of such change.

The Dormitory Income Account Reserve will be applied to the cost of (i) operating and maintaining and (ii) repairing, renovating and improving, the Project; provided, however, no payment will be made from the Dormitory Income Account Reserve pursuant to the Agreement unless, at the time of that payment, the amount then on deposit in the Dormitory Income Account exceeds the amount of Rentals that remain payable during the current Bond Year. Any payment from the Dormitory Income Account Reserve will be made upon the joint direction of the Authority and the University.

The University has also covenanted and agreed in the Agreement that so long as the University shall be in possession of the Project under the Agreement, rents, fees and charges charged and collected for use and occupancy of the Project shall be (i) sufficient at all times (a) to pay the Rentals for such Bond Year, (b) to pay the cost of operating, maintaining, repairing and renovating the Project for the then current Fiscal Year, (c) to maintain the Dormitory Income Account Reserve Requirement, and (d) to pay all other expenses required to be paid by the University pursuant to the Agreement and (ii) deposited in the Dormitory Income Account for such purposes.

In the Agreement, the University also covenants that so long as the University is in possession of the Project: (i) it will prepare and implement a budget for each Fiscal Year, which provides adequate funds for the operation and maintenance of the Project in good condition and for the making of all necessary repairs and replacements; (ii) it will prepare and implement a Capital Plan that will provide adequate resources for all necessary repairs and replacements of the Facilities; and (iii) prior to the commencement of each Fiscal Year, it will provide the Authority with copies of the budget and Capital Plan, together with a certification that the University is in compliance with the requirements of the Agreement.

The Agreement provides that so long as no event of default on the part of the University is occurring thereunder, any Facility or part thereof may be abandoned or withdrawn from the Project, with the written consent of the Authority. Prior to any such abandonment or withdrawal, the University shall first deliver to the Authority and the Trustee a certificate or certificates signed by the Authorized Officer of the University stating that such Facility or part thereof is no longer useful or necessary in the operation of the dormitory program of the University, and that such abandonment or withdrawal will not adversely affect the University's ability to meet its obligations under the Agreement. See "Appendix D - Summary of Certain Provisions of the Agreement".

The University also has approved rate schedules of rents and charges to occupants of rooms in dormitories which it operates. These rates vary in accordance with the type of accommodations provided and with each campus. While most units are designed as double-occupancy rooms, there are, to a limited degree, other types of accommodations available, from single rooms to apartment-style units.

The following table sets forth the total amount of revenues received for operations during the indicated fiscal years and deposited in the Dormitory Income Account. In the Agreement, the University agrees to deposit into the Dormitory Income Account the revenues from certain facilities for which no Bonds are Outstanding, referred to as the Defeased Facilities. The amounts shown as Room Rental Income are from Facilities of the Project including the Defeased Facilities. The University has the right to withdraw Defeased Facilities with the consent of the Authority. In such event the revenues from such Defeased Facilities would no longer be deposited into the Dormitory Income Account. Approximately 8 percent of the Facilities are Defeased Facilities.

Summary of Dormitory Operations
(in millions)

	2003-04	2004-05	2005-06	2006-07	2007-08
Beginning Cash Balance at July 1	$57.0	$56.6	$57.4	$77.4	$103.4
Receipts					
Room Rental Income	$267.2	$297.5	$323.5	$350.9	$377.2
College Fees*	3.8	-	-	-	-
Miscellaneous & Transfers	29.7	36.0	29.9	35.5	46.4
Total Receipts	$300.7	$333.5	$353.4	$386.4	$423.6
Disbursements					
Dormitory Operations	$217.4	$226.7	$244.1	$256.6	$276.3
Debt Service Payments	42.1	56.6	55.0	60.6	70.0
Other Programs & Transfers	41.6	49.4	34.3	43.2	60.6
Total Disbursements	$301.1	$332.7	$333.4	$360.4	$406.9
Ending Cash Balance at June 30	$56.6	$57.4	$77.4	$103.4	$120.1

*The Agreement, as amended and restated as of September 24, 2003, no longer requires that College Fees be paid into the Dormitory Income Account.

The Residence Hall Rehabilitation Fund, held by the State Comptroller, has been used by the University to account for operation, maintenance and repair of dormitory facilities. The Residence Hall Rehabilitation Fund has been funded over time from the Dormitory Income Account as part of the Net Transfers shown in the table above, and at June 30, 2008 contained approximately $79.0 million. The Residence Hall Rehabilitation Fund is subject to the same purposes and limitations described above.

The Dormitory Income Account is held by the State Comptroller separate and apart from the General Fund of the State. Based on its interpretation of applicable law, the State Comptroller has required legislative appropriations of moneys as a prerequisite to disbursement of funds from the Dormitory Income Account. Historically, it has been the State Legislature's practice to appropriate moneys in the Dormitory Income Account for expenditure by the University for the intended purposes of such funds.

As the increasing pattern of revenues from dormitory income sources demonstrates, the University has been able to sustain an acceptable rate of dormitory utilization during the past several years. Utilization statistics for the Fall 2007 semester show the University utilized 96.9% of available revenue producing beds. Several campuses had more students in residence than the design occupancy of the facilities, requiring conditions whereby more students are assigned to rooms than the original designs specified. The table below presents the Fall occupancy utilization rate for all University dorms for the past five fiscal years.

Fall Occupancy

Fall Semester	Beds Available	Beds Utilization	Occupancy Rate Percentage
2003	67,904	64,842	95.5 %
2004	69,439	67,677	97.5
2005	70,967	68,632	96.7
2006	72,672	70,354	96.8
2007	73,923	71,605	96.9

PART 4 - DEBT SERVICE REQUIREMENTS FOR THE SERIES 2008A BONDS

The following table sets forth, for each fiscal year ending June 30, the amounts, rounded to the nearest dollar, required to be made available in such fiscal year for the payment of the principal, including Sinking Fund Installments, of and interest on the Series 2008A Bonds, debt service on other Outstanding Bonds and the total debt service for all such Bonds Outstanding under the Resolution. The principal of the Bonds matures on each July 1 one day following the close of the respective fiscal years listed.

Year Ending June 30,	Principal Payments	Interest Payments	Total Debt Service on the Series 2008A Bonds	Other Outstanding Bonds Debt Service(1)	Total Debt Service(1)
2009	$1,230,000	$4,987,990	$6,217,990	$71,286,305	$77,504,295
2010	1,065,000	6,155,088	7,220,088	70,884,580	78,104,668
2011	3,620,000	6,123,138	9,743,138	69,378,118	79,121,256
2012	3,735,000	6,014,538	9,749,538	69,690,293	79,439,831
2013	3,860,000	5,893,150	9,753,150	69,687,018	79,440,168
2014	4,020,000	5,727,100	9,747,100	66,137,309	75,884,409
2015	4,225,000	5,526,100	9,751,100	63,970,305	73,721,405
2016	4,430,000	5,320,913	9,750,913	62,908,186	72,659,099
2017	4,635,000	5,118,313	9,753,313	61,058,303	70,811,616
2018	4,865,000	4,886,563	9,751,563	60,013,192	69,764,755
2019	5,110,000	4,643,313	9,753,313	57,569,822	67,323,135
2020	5,360,000	4,387,813	9,747,813	56,465,257	66,213,070
2021	5,625,000	4,119,813	9,744,813	54,225,854	63,970,667
2022	5,895,000	3,861,250	9,756,250	51,021,681	60,777,931
2023	6,185,000	3,566,500	9,751,500	47,295,108	57,046,608
2024	3,050,000	3,257,250	6,307,250	47,286,375	53,593,625
2025	3,205,000	3,104,750	6,309,750	47,099,114	53,408,864
2026	3,360,000	2,944,500	6,304,500	47,094,545	53,399,045
2027	3,530,000	2,766,500	6,306,500	47,107,877	53,414,377
2028	3,700,000	2,600,000	6,300,000	45,397,932	51,697,932
2029	3,865,000	2,433,500	6,298,500	42,439,233	48,737,733
2030	4,065,000	2,240,250	6,305,250	38,033,389	44,338,639
2031	4,265,000	2,037,000	6,302,000	35,597,556	41,899,556
2032	4,485,000	1,823,750	6,308,750	29,592,623	35,901,373
2033	4,705,000	1,599,500	6,304,500	20,633,650	26,938,150
2034	4,935,000	1,364,250	6,299,250	17,468,175	23,767,425
2035	5,185,000	1,117,500	6,302,500	14,114,650	20,417,150
2036	5,440,000	858,250	6,298,250	10,321,750	16,620,000
2037	5,720,000	586,250	6,306,250	7,171,500	13,477,750
2038	6,005,000	300,250	6,305,250	-	6,305,250

(1) Interest on the Series 2003B Bonds after July 1, 2013 estimated at an assumed rate of 4.22% per annum.

PART 5 - ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds relating to the Series 2008A Bonds are as follows:

Sources of Funds		
Principal Amount of the Series 2008A Bonds	$	129,375,000.00
Net Reoffering Premium		3,857,474.90
Total Sources	$	133,232,474.90
Uses of Funds		
Deposit to Construction Fund	$	119,991,559.00
Capitalized Interest		11,343,725.72
Costs of Issuance..		1,098,165.18
Underwriters' Discount		799,025.00
Total Uses	$	133,232,474.90

PART 6 - THE PROJECT

The Project consists of various Facilities which have been financed or may be financed in the future by the Authority for the University with the proceeds of bonds or notes issued under the Resolution. The Facilities constituting a part of the Project are numerous dormitory facilities for students and others at the University, and related and attendant facilities. Bonds may be issued from time to time to construct additional buildings which would be added to the Project. Bonds may also be issued for purposes of extraordinary maintenance, repair and replacement of existing buildings currently a part of the Project. Although the proceeds of the Series 2008A Bonds may be expended on any Facility, the University anticipates that proceeds of the Series 2008A Bonds will finance new Facilities and/or renovations to existing Facilities at the University at Albany, Binghamton University, Brockport, Buffalo State, the University at Buffalo, Canton, Cobleskill, Cortland, Delhi, Morrisville, New Paltz, Oneonta, Oswego, Potsdam, Stony Brook University and Utica/Rome.

PART 7 - THE STATE UNIVERSITY OF NEW YORK

General

The University was created in 1948, as a corporate entity in the Education Department of the State of New York under the Board of Regents. The legislation assigns to the University responsibility for the planning, supervision and administration of facilities and programs in accordance with a master plan to be proposed by the University and approved by the Board of Regents. The University is governed by a Board of Trustees comprised of 17 members, 15 appointed by the Governor with the advice and consent of the Senate, the president of the University-wide Student Assembly, ex officio and voting, and the president of the University Faculty Senate, ex officio and non-voting. The Chairman and Vice-Chairman of the Board are designated by the Governor. The 15 Trustees appointed by the Governor currently serve overlapping terms of seven years, the student Trustee a one-year term, and the faculty Trustee a two-year term. Trustees receive no compensation for their services other than reimbursement of expenses. The Board of Trustees appoints its own officers, the Chancellor, the senior System Administration staff and campus Presidents.

On April 1, 1949, the University assumed jurisdiction over the 29 existing State-supported institutions of higher education. These institutions were primarily professional and technical schools, placing emphasis on applied arts and sciences and the training of teachers. In the period between 1957 and 1962, the Trustees established three university centers: the State University of New York at Albany, the State University of New York at Binghamton, and the State University of New York at Stony Brook. In addition, the former private University of Buffalo, comprised of 14 divisions, was merged into the University system and became the State University of New York at Buffalo and the fourth university center. Two health science centers were added, one in Brooklyn serving the New York City metropolitan area and one in Syracuse serving upstate New York. In 1961, the University Trustees set into motion a plan under which the teachers colleges included in the system became multipurpose institutions offering baccalaureate preparation in liberal arts, business and technologies, as well as education courses. In 1964, the six, two-year Agricultural and Technical Institutes became Agricultural and Technical Colleges and in 1987 were redesignated either Colleges of Technology or Colleges of Agriculture and Technology. Two additional colleges of arts and science were opened in 1968, the State University College at Old Westbury and the State University College at Purchase.

Other components of the present University system are the State University Institute of Technology at Utica/Rome, the Empire State College in Saratoga Springs, the Maritime College at Fort Schuyler, the State University of New York College of Environmental Science and Forestry at Syracuse, the College of Optometry at New York City, the five statutory colleges - four at Cornell University (College of Veterinary Medicine, School of Industrial and Labor Relations, College of Agriculture and Life Sciences, and College of Human Ecology) and one at Alfred University (College of Ceramics), and the New York State Agricultural Experiment Station at Geneva. The statutory colleges are administered by the private universities under the general supervision of the University Board of Trustees. See “Operating Units” below.

Each University Center and College of the University is administered locally although subject to overall review and supervision by the University's Board of Trustees. Graduate study at the doctoral level is offered by the University at 15 of its institutions, and graduate work at the master's level at 30 campuses. The University is continuing to broaden and expand overall opportunities for advanced degree study. Graduate study areas embrace a wide spectrum including agriculture, business administration, criminal justice, dentistry, education, engineering, forestry, law, library science, medicine, nursing, optometry, pharmacy, social work, and veterinary medicine as well as the liberal arts and sciences. Four-year programs strongly emphasize the liberal arts and sciences and also include specialization in teacher education, business, forestry, maritime service, ceramics, and the fine and performing arts. Two-year programs include nursing and liberal arts transfer programs and a wide variety of technical curriculums such as agriculture, business, and the industrial and medical technologies. The University Educational Opportunity Centers located throughout the State provide training for skilled and semiskilled occupations and college foundation courses. In addition to courses such as high school equivalency, college preparation, typing, bookkeeping, and vending and business machine repair, these centers provide a broad range of services, including personal counseling, diagnostic testing, placement and referral services.

Since 1952, the University as an entity has maintained accreditation by the Middle States Association of Colleges and Secondary Schools. This accreditation applies to all State-operated colleges of the University.

The University has actively assisted in the development of 30 locally-sponsored two-year community colleges. These colleges are designed to provide postsecondary education for students whose needs would not ordinarily be met by a traditional four-year college curriculum and to provide general courses for students who wish to transfer after completing the community college program to institutions providing a traditional four-year college program. The community colleges are established by cities or counties acting with the approval of the local legislative body and the University Board of Trustees. The exceptions are Corning Community College and Jamestown Community College which are administered by regional boards of trustees and the University's Board of Trustees. The community colleges are subject to the general supervision of the University in matters relating to curriculum and are eligible to receive State financial assistance in an amount not to exceed one-half of the costs of capital construction and two-fifths of the annual operating costs if the college is implementing a program of full opportunity approved by the University's Board of Trustees and meets other criteria. As of the Fall of 2008, approximately 127,054 students are anticipated to be enrolled on a full-time basis in community colleges and another 90,849 students are anticipated to be enrolled on a part-time basis.

Operating Units

The University is comprised of the following institutions (excluding community colleges):

UNIVERSITY CENTERS

State University of New York at Albany*
State University of New York at Binghamton*
State University of New York at Buffalo*
State University of New York at Stony Brook*

HEALTH SCIENCES CENTERS

Health Science Center at Brooklyn*
Health Science Center at Syracuse*
Health Science Center at Buffalo University Center*
Health Science Center at Stony Brook University Center*

UNIVERSITY COLLEGES

State University College at Brockport
State University College at Buffalo
State University College at Cortland
State University College at Fredonia
State University College at Geneseo
State University College at New Paltz
Empire State College
State University College at Old Westbury
State University College at Oneonta
State University College at Oswego
State University College at Plattsburgh
State University College at Potsdam
State University College at Purchase

SPECIALIZED COLLEGES

College of Environmental Science and Forestry at Syracuse*
College of Optometry at New York City*

COLLEGES OF TECHNOLOGY

College of Technology at Alfred
College of Technology at Canton
College of Agriculture and Technology at Cobleskill
College of Technology at Farmingdale
College of Technology at Delhi
College of Agriculture and Technology at Morrisville
Institute of Technology at Utica/Rome
Maritime College at Fort Schuyler

STATUTORY COLLEGES**

College of Agriculture and Life Sciences at Cornell University*
College of Human Ecology at Cornell University*
College of Ceramics at Alfred University*
College of Veterinary Medicine at Cornell University*
School of Industrial and Labor Relations at Cornell University*

OTHER INSTITUTIONS

Agricultural Experimental Station at Geneva

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* Doctoral degree granting institutions.
**These operate as "contract colleges" on the campuses of independent universities.

Enrollment

The following are certain Fall enrollment statistics (excluding community colleges) for the University:

Selected Fall Headcount Enrollment Statistics

	2004	2005	2006	2007	2008*
Full-Time					
Undergraduate	140,749	143,428	147,128	149,700	151,753
Graduate	20,678	20,774	22,523	22,857	23,715
Part-Time	42,500	41,595	38,865	40,712	41,839
Total Enrollment	203,927	205,797	208,516	213,269	217,307

* Projected enrollment plan for 2008-09.

The following are certain annual average full-time equivalent ("FTE") enrollment statistics (excluding community colleges) for the University:

Selected Average Annual Enrollment Statistics

	2004-05	2005-06	2006-07	2007-08*	2008-09**
Full-time:					
Undergraduate	134,759	137,458	140,225	144,478	147,408
Graduate	20,499	20,670	22,378	22,820	23,750
Part-time	19,559	18,758	17,634	18,461	18,492
Total FTE Enrollment	174,817	176,886	180,237	185,759	189,650

* Not finalized.
** Projected enrollment plan.

Fiscal Structure

As set forth in "Appendix C - Information on the State University of New York", the University has several sources of revenue. Revenues and expenditures relating to the University's core instructional budget, (i.e., tuition and fees and State general fund support), dormitory operations, and hospital and clinics, and certain user fees are subject to State appropriation. Revenues generated from sponsored research and food service and bookstore operations that are administered by legally separate not-for-profit organizations are not subject to State appropriations.

The University Controller's Office prepares annual statements of revenues and expenditures that include all programs operated at the various University campuses. The financial statements include current operations financed predominantly from appropriations of State funds, tuition and fees, dormitory room rents, dining and food service fees, hospital and clinical fees and restricted revenues financed from federal, State and other sources.

The University receives a large but declining percentage of its State funds from the State's General Fund. The major source of revenues for the General Fund is State tax moneys which are supplemented by certain transfers from other funds and miscellaneous revenue sources. Appropriations to the University from the State, along with tuition and fees comprise the University's core instructional budget, and are expended within the requirements of the State Finance Law. These expenditures are subject to the pre-audit of the State Comptroller. Post-audits are also conducted periodically at the various campuses of the University by the State Comptroller. The University's internal audit staff also conducts periodic audits of campus activities. In addition, the University obtains an audit of the University's annual financial statements in accordance with generally accepted accounting principles by independent certified public accountants.

The annual budget request of the University contains its estimated financial requirements for all programs for which expenditures are subject to State appropriations, existing and proposed, and is submitted to the Governor and the legislative fiscal committees. The Governor prepares recommendations on the requests of all agencies and departments (including the University) which comprise the Executive Budget as submitted to the State Legislature. The State Legislature in turn may approve or reduce individual items presented in the Executive Budget and may enact separate appropriations bills. In addition to the so-called regular budget bills, the State Legislature has also enacted from time to time a “deficiency” budget bill, covering obligations incurred near the close of a fiscal period and, in some years, a “supplemental” budget bill containing amendments to the “regular” bill. The State's fiscal year begins on April 1st and ends on March 31st, while the University's fiscal year begins on July 1st and ends on June 30th.

The majority of restricted grant revenues for sponsored research are operated through The Research Foundation of State University of New York (the “Research Foundation”). The Research Foundation is a separate, not-for-profit educational corporation, chartered by the State Board of Regents in 1951 to administer gifts, grants and contracts for the University's campuses, with particular emphasis on federally-sponsored research grants. Annual audits of the financial activities of the Research Foundation are performed by independent certified public accountants, and periodic audits are performed by the State Comptroller and the Research Foundation's internal audit staff. Other programs supported by restricted revenues are operated through State treasury funds which are subject to normal State fiscal controls.

Comparative Financial Information

Attached as “Appendix C - Information on the State University of New York” are the Schedules of Revenues, Expenses, and Changes in Net Assets for each of the fiscal years ended June 30, 2003 through June 30, 2007. The financial information contained in the Financial Schedules was derived from the audited financial statements of the University for the respective fiscal years ended June 30. The audited financial statements can be obtained by contacting the Office of the University Controller at (518) 443-5463.

As indicated in Appendix C, annual appropriations of State funds to the University have historically provided a significant portion of the University's annual revenues enabling the University to pay, together with its other indicated sources of revenues, its operating expenses and other required obligations. For a more complete description of such appropriations, see “Appropriations of State Funds to the University” below.

Appropriations of State Funds to the University

In addition to its own sources of revenues, the successful maintenance and operation of the University and its overall financial viability are dependent upon the ability and willingness of the State to continue making appropriations of State funds in the amounts which, together with other available revenues of the University, are sufficient to pay the operating expenses and to meet other financial obligations of the University. Appropriations of State funds have historically constituted a significant portion of the University's revenues and no assurance can be given that State funds will be available in the future in the amounts contemplated or required by the University or which have been historically appropriated and paid to the University. See “Appendix C - Information on the State University of New York”.

The State has made appropriations to the University from the General Fund. These appropriations are made in connection with the State's annual budget process and are therefore dependent upon the availability of budgetary resources and the allocation thereof.

A portion of the total State appropriation to the University is offset by the application of other University income for operating expenses and the remainder of the appropriation constitutes the State-funded portion. The appropriations of this State-funded portion from the State to support the University core operating budget made directly to the University (exclusive of Student Aid appropriations, fringe benefits budgeted separately, debt service for educational facilities, community colleges and other special programs) were as follows for the indicated State fiscal years:

State-Funded University Appropriations

Fiscal Year	Appropriated from State Purposes Account
2004-05	$ 947,776,000
2005-06	1,017,924,000
2006-07	1,212,440,000
2007-08	1,340,363,000
2008-09	1,338,756,000*

*Includes $50 million of appropriation that will not be provided as part of New York State budget gap closing plan.

In prior years, the State University experienced operating cash flow deficits precipitated by cash flow difficulties at its hospitals. In connection with these cash-flow deficits, as authorized by the State Finance Law, the State University borrowed funds with interest from the short-term investment pool (STIP) of the State. An agreement was reached between the University and the State to jointly repay the total shortfall over a period of seven to nine years. The repayment is not expected to adversely affect ongoing operations of the University. As of June 30, 2008, the amount outstanding under this borrowing was $110.2 million. During the 2007-08 fiscal year, the amount paid on the borrowing was $25.6 million.

Tuition and Other Unrestricted Revenue

For the 2008 Fall semester, the tuition schedule for State residents will be $4,350 per year for all undergraduates; $6,900 for graduate students; $13,700 for students of pharmacy; $13,200 for students of law; $18,800 for students of medicine; $16,200 for students of dentistry; $13,620 for students of optometry; $11,420 for students in the professional program of physical therapy; and $7,100 for students in the MBA program. For University students who do not reside in New York State, such schedule was $10,610 for undergraduates (except that non-resident associate degree students at the Colleges of Technology will be charged $7,210 per year); $10,920 for graduate students; $23,700 for students of pharmacy; $20,000 for students of law; $33,500 for students of medicine; $32,500 for students of dentistry; $26,150 for students of optometry; $18,290 for students in the professional program of physical therapy; and $11,340 for students in the MBA program. There are various tuition charges for students taking classes at off-campus locations during the summer or winter recesses. Tuition charges are fixed by the Trustees of the University and remain in effect until changed by the Trustees. In addition, there are other miscellaneous charges. *The receipts from such tuition charges and other miscellaneous charges are not pledged to the payment of the Rentals payable to the Authority under the Agreement.*

The following table indicates the source and amount of tuition and other unrestricted revenue, exclusive of room and occupancy charges in dormitories, for the University's five fiscal years indicated.

Tuition and Other Unrestricted Revenue

(in thousands)

	2002-03	2003-04	2004-05	2005-06	2006-07
Tuition and fees*	$ 897,479	$1,122,946	$1,174,057	$1,200,791	$1,244,601
State appropriations for operations**	1,648,497	1,540,304	1,535,274	1,925,341	2,109,515
University Hospital and clinics	1,003,838	1,373,510	1,288,686	1,430,623	1,621,458
Food service*	152,628	165,549	184,847	199,659	211,386
Other auxiliary*	170,692	173,930	188,490	198,575	210,960
Interest and other unres. revenue	111,721	95,631	120,373	135,369	189,697
Total	$3,984,855	$4,471,870	$4,491,727	$5,090,358	$5,587,617

* Gross, includes scholarship allowances applied.

** Excludes debt service appropriation for the University's Educational Facilities.

Outstanding Debt

The table below presents the debt activity of the University for the five fiscal years indicated.

University Debt Activity
(in thousands)

	2002-03	2003-04	2004-05*	2005-06	2006-07
Dormitory Authority-Residence Facilities Long-term (Bonds)					
Outstanding Beginning of Period	$ 426,525	$ 560,180	$ 589,770	$ 633,780	$687,660
Issued During Period	154,520	59,855	63,355	181,965	87,430
Retired During Period	(20,865)	(295,060)	(19,345)	(128,085)	(22,890)
Refunding	-	264,795	-	-	-
Outstanding End of Period	$ 560,180	$ 589,770	$ 633,780	$ 687,660	$752,200
Dormitory Authority-Educational Facilities Long-term (Bonds)					
Outstanding Beginning of Period	$ 4,210,212	$ 4,368,931	$ 4,287,613	$ 4,147,612	$4,465,883
Issued During Period	1,339,125	44,160	39,350	479,975	472,577
Retired During Period	(126,406)	(125,478)	(527,171)	(161,704)	(163,002)
Refunding	-	-	347,820	-	-
Special Defeasance	(1,054,000)	-	-	-	(226,205)
Outstanding End of Period	$ 4,368,931	$ 4,287,613	$ 4,147,612	$ 4,465,883	$4,549,253

*Educational Facilities have been reclassified.

Construction at the University

The University construction program expended $534 million in 2006-07 for both educational and residential facility construction. Of this amount, approximately $513 million was financed from State appropriated funds and approximately $21 million from campus funds.

Construction and renovation of educational facilities constitute the major portion of the capital improvement program of the University.

The following table presents construction receipts and disbursements in connection with the University construction program for the State's five fiscal years indicated.

University Construction Receipts and Disbursements
(in thousands)

	2002-03	2003-04	2004-05	2005-06	2006-07
RECEIPTS:					
New York State	$ 351,963	$ 369,298	$ 377,143	$ 400,580	$ 512,502
Campus Funds	3,933	7,995	15,863	20,841	21,182
Total	$ 355,896	$ 377,293	$393,006	$ 421,421	$ 533,684
DISBURSEMENTS*:					
Academic Program	$ 246,597	$ 232,240	$ 235,648	$ 323,648	$443,864
Residential Program	109,299	145,053	157,358	97,773	89,820
Total	$ 355,896	$ 377,293	$ 393,006	$ 421,421	$ 533,684

*Disbursements include the amounts paid for design, construction, equipment and property acquisition.

Litigation

At any given time the University is involved in a number of legal actions and proceedings. The greater number involve special proceedings seeking the reversal of various administrative determinations. A number of cases are pending against the State in the Court of Claims seeking damages in tort or contract cases involving the University. Upon the basis of information presently available, the University believes that there are substantial defenses in connection with such disputes. The University further believes that, in any event, its ultimate liability, if any, resulting from such disputes will not materially affect its financial position, will be satisfied from moneys available to the University from State appropriations and insurance funds, and will in no way affect the University's obligations or its ability to carry out its obligations under the provisions of the Agreement.

PART 8 - THE AUTHORITY

Background, Purposes and Powers

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

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

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

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

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

At June 30, 2008, the Authority had approximately $35.8 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority's bonds and notes is paid from moneys received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

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

The total amounts of the Authority bonds and notes (excluding debt of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act) outstanding at June 30, 2008 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
State University of New York Dormitory Facilities	$ 2,120,821,000	$ 873,355,000	$ 0	$ 873,355,000
State University of New York Educational and Athletic Facilities	11,757,912,999	4,850,693,949	0	4,850,693,949
Upstate Community Colleges of the State University of New York	1,397,910,000	589,930,000	0	589,930,000
Senior Colleges of the City University of New York	8,609,563,549	2,894,666,270	0	2,894,666,270
Community Colleges of the City University of New York	2,194,081,563	500,053,730	0	500,053,730
BOCES and School Districts	1,872,641,208	1,420,320,000	0	1,420,320,000
Judicial Facilities	2,161,277,717	738,632,717	0	738,632,717
New York State Departments of Health and Education and Other	4,233,285,000	2,835,385,000	0	2,835,385,000
Mental Health Services Facilities	5,682,130,000	3,558,845,000	0	3,558,845,000
New York State Taxable Pension Bonds	773,475,000	0	0	0
Municipal Health Facilities Improvement Program	985,555,000	802,230,000	0	802,230,000
Totals Public Programs	$ 41,788,653,036	$ 19,064,111,666	$ 0	$ 19,064,111,666

Non-Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
Independent Colleges, Universities and Other Institutions	$ 15,529,321,020	$ 7,462,147,344	$184,725,000	$ 7,646,872,344
Voluntary Non-Profit Hospitals	13,397,904,309	8,064,170,000	0	8,064,170,000
Facilities for the Aged	1,996,020,000	1,043,980,000	0	1,043,980,000
Supplemental Higher Education Loan Financing Program	95,000,000	0	0	0
Totals Non-Public Programs	$ 31,018,245,329	$ 16,570,297,344	$184,725,000	$ 16,755,022,344
Grand Totals Bonds and Notes	$ 72,806,898,365	$ 35,634,409,010	$184,725,000	$ 35,819,134,010

Outstanding Indebtedness of the Agency Assumed by the Authority

At June 30, 2008, the Agency had approximately $401 million aggregate principal amount of bonds outstanding, the obligations as to all of which have been assumed by the Authority. The debt service on each such issue of bonds is paid from moneys received by the Authority (as successor to the Agency) or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue.

The total amounts of the Agency's bonds (which indebtedness was assumed by the Authority on September 1, 1995) outstanding at June 30, 2008 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding
Mental Health Services Improvement Facilities	$ 3,817,230,725	$ 0
Non-Public Programs	**Bonds Issued**	**Bonds Outstanding**
Hospital and Nursing Home Project Bond Program	$ 226,230,000	$ 3,605,000
Insured Mortgage Programs..	6,625,079,927	389,564,927
Revenue Bonds, Secured Loan and Other Programs	2,414,240,000	8,255,000
Total Non-Public Programs	$ 9,265,549,927	$ 401,424,927
Total MCFFA Outstanding Debt	$ 13,082,780,652	$ 401,424,927

Governance

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

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

The current members of the Authority are as follows:

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

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

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

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on April 26, 2004. Mr. Johnson is Chairman of the Board and Chief Executive Officer of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He is director of the New York Newspapers Foundation, a member of the Development Authority of the North Country and the Fort Drum Regional Liaison Committee, a trustee of Clarkson University and president of the Bugbee Housing Development Corporation. Mr. Johnson has been a member of the American Society of Newspaper Editors since 1978, and was a Pulitzer Prize juror in 1978, 1979, 2001 and 2002. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2010.

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

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

BRIAN RUDER, Scarsdale.

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

ANTHONY B. MARTINO, CPA, Buffalo.

Mr. Martino was appointed as a Member of the Authority by the Governor on April 26, 2004. A certified public accountant with more than 37 years of experience, Mr. Martino is a retired partner of the Buffalo CPA firm Lumsden & McCormick, LLP. He began his career at Price Waterhouse where he worked in the firm's Buffalo and Washington, DC, offices. He is a member of the Board of Directors of Natural Health Trends Inc., a public company, where he chairs the Audit Committee. Mr. Martino is a member of the American Institute of CPAs and the New York State Society of CPAs. Long involved in community organizations, he serves on the boards of the Buffalo Niagara Medical Campus as Vice Chairman, Mount Calvary Cemetery as Chair of the Investment Committee, Cradle Beach Camp of which he is a former Chair, the Kelly for Kids Foundation and Key Bank. Mr. Martino received a Bachelor of Science degree in accounting from the University at Buffalo. Mr. Martino's current term expired on August 31, 2007 and by law he continues to serve until a successor shall be chosen and qualified.

SANDRA M. SHAPARD, Delmar.

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

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

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

KEVIN R. CARLISLE, Averill Park.

Mr. Carlisle was appointed as a Member of the Authority by the Temporary President of the Senate on January 29, 2007. After a career in public housing and business consulting, Mr. Carlisle retired in 2003 as Assistant Commissioner of the New

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

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

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

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

Ms. Anglin was appointed Budget Director on January 1, 2008. As Budget Director, she is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio, as well as pensions and employee benefits. Ms. Anglin previously served as First Deputy Budget Director from January 2007 to December 2007. She was appointed Deputy Comptroller of the Division of Retirement Services in January 2003 and was responsible for overseeing the administration and managing the operations of the New York State and Local Retirement System. From 1996-2003, Ms. Anglin worked in the New York State Assembly where she served as Director of Budget Studies for the Assembly Ways and Means Committee and as First Deputy Fiscal Director for the Committee. Ms. Anglin has also held the position of Econometrician in the Department of Taxation and Finance from 1992-1996 and began her career as an Economist for the Department of Environmental Conservation. Ms. Anglin holds a Bachelor of Arts degree and a Master's degree in Economics from the State University of New York at Albany.

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

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

The principal staff of the Authority is as follows:

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

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

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

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

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

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

Claims and Litigation

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

Other Matters

New York State Public Authorities Control Board

The New York State Public Authorities Control Board (the "PACB") has authority to approve the financing and construction of any new or reactivated projects proposed by the Authority and certain other public authorities of the State. The PACB approves 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 2008A 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, 2008. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 9 - LEGALITY OF THE SERIES 2008A BONDS FOR INVESTMENT AND DEPOSIT

The Act provides that the Series 2008A 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 of the State may limit the investment of funds of such authorities in the Series 2008A Bonds.

The Series 2008A Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 10 - NEGOTIABLE INSTRUMENTS

The Series 2008A Bonds shall be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution and in the Series 2008A Bonds.

PART 11 - TAX MATTERS

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law: (i) interest on the Series 2008A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) interest on the Series 2008A Bonds is exempt from personal income taxes imposed by the State of New York and political subdivisions thereof, including The City of New York and the City of Yonkers. Bond Counsel expresses no opinion as to any other tax consequences regarding the Series 2008A Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants of the Authority and the University contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Series 2008A Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the Authority's or the University's certifications and representations or the continuing compliance with the Authority's or the University's covenants.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Series 2008A Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service (“IRS”) or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the Authority or the University may cause loss of such status and result in the interest on the Series 2008A Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2008A Bonds. The Authority and the University have each covenanted to take the actions required of it for the interest on the Series 2008A Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Series 2008A Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2008A Bonds or the market prices of the Series 2008A Bonds.

A portion of the interest on the Series 2008A Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Series 2008A Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Series 2008A Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Series 2008A Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Series 2008A Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Bond Counsel's engagement with respect to the Series 2008A Bonds ends with the issuance of the Series 2008A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the University or the beneficial owners regarding the tax status of interest on the Series 2008A Bonds in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2008A Bonds, under current IRS procedures, the IRS will treat the Authority as the taxpayer and the beneficial owners of the Series 2008A Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series 2008A Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value for the Series 2008A Bonds.

Original Issue Discount and Original Issue Premium

Certain of the Series 2008A Bonds ("Discount Bonds") as indicated on the inside cover of this Official Statement were offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Bond. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Series 2008A Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. A purchaser of a Discount Bond in the initial public offering at the price for that Discount Bond stated on the inside cover of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

Certain of the Series 2008A Bonds ("Premium Bonds") as indicated on the inside cover of this Official Statement were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of 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 that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the inside cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Discount and Premium Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable in any period with respect to the Discount or Premium Bonds and as to other federal tax consequences and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income. See "Appendix F - Form of Approving Opinion of Bond Counsel".

Miscellaneous

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress, and legislation affecting the exemption of interest thereon for purposes of taxation by the State may be considered by the State Legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series 2008A Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2008A Bonds will not have an adverse effect on the tax status of interest on the Series 2008A Bonds or the market value of the Series 2008A Bonds.

Prospective purchasers of the Series 2008A Bonds should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Series 2008A Bonds at other than their original issuance at the respective prices indicated on the inside cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

PART 12 - STATE NOT LIABLE ON THE SERIES 2008A BONDS

The Act provides that notes and bonds of the Authority shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of the Authority. The Resolution specifically provides that the Series 2008A Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 13 - COVENANT BY THE STATE

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

This pledge and agreement by the State does not, among other things, bind or obligate the State to appropriate funds for the payment of the principal and Sinking Fund Installments of and interest on the Bonds or for the payment of the operating expenses of the University. See "PART 3 - SOURCES OF PAYMENT AND SECURITY FOR THE BONDS".

PART 14 - UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Series 2008A Bonds from the Authority at an aggregate purchase price of $132,433,449.90 and to make a public offering of the Series 2008A Bonds at prices that are not in excess of the public offering prices stated on the inside cover page of this Official Statement. The Underwriters will be obligated to purchase all such Series 2008A Bonds if any are purchased. The Series 2008A Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices or yields higher than such public offering yields, and such public offering prices or yields may be changed from time to time, by the Underwriters.

PART 15 - LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2008A Bonds are subject to the approval of Squire, Sanders & Dempsey L.L.P., New York, New York, Bond Counsel to the Authority, whose approving opinion will be delivered with the Series 2008A Bonds. Certain legal matters will be passed upon for the Underwriters by their Counsel Winston & Strawn LLP, New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2008A Bonds or questioning or affecting the validity of the Series 2008A Bonds or the proceedings and authority under which they are to be issued. There is no litigation pending which in any manner questions the right of the Authority to issue the Series 2008A Bonds in accordance with the provisions of the Act, the Resolution and the Agreement.

PART 16 - RATINGS

The Series 2008A Bonds have been assigned ratings of Aa3 and AA- by Moody's Investors Service and Standard & Poor's Ratings Services, respectively. An explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. There is no assurance that such ratings will prevail for any given period of time or that they will not be changed or withdrawn by the respective rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2008A Bonds.

PART 17 - CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), the Authority, the State and the Trustee will enter into a written agreement (the "Continuing Disclosure Agreement") for the benefit of the Holders of the Series 2008A Bonds to provide continuing disclosure. The State will undertake for the benefit of the Holders of the Series 2008A Bonds to provide each Nationally Recognized Municipal Securities Information Repository (each a "Repository"), and if and when one is established, the New York State information depository (the "State Information Depository"), on an annual basis on or before 120 days after the end of each fiscal year of the State, commencing with the fiscal year ending March 31, 2009, financial information and operating data relating to the State of the type included in the Annual Information Statement of the State set forth in Appendix B to this Official Statement. The State also will undertake for the benefit of the Holders of the Series 2008A Bonds to provide to each Repository and the State Information Depository, on an annual basis on or before 120 days after the end of each fiscal year of the University, commencing with the fiscal year ending June 30, 2008, financial information and operating data relating to the University of the type included in this Official Statement. The financial information and operating data relating to the State and the University is referred to herein as the "Annual Information" and is described in more detail below. The State Comptroller is required by existing law to issue audited annual financial statements of the State prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") 120 days after the close of the State fiscal year, and the State will undertake to provide the State's annual financial statements prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States to each Repository and to the State Information Depository, if and when such statements are available commencing with the fiscal year ending March 31, 2009. The State also will undertake to provide the University's audited financial statements to each Repository and the State Information Depository, on an annual basis on or before 120 days after the end of each fiscal year of the University, commencing with the fiscal year ending June 30, 2008. In addition, the Authority will undertake, for the benefit of the Holders of the Series 2008A Bonds, to provide to each such Repository or the Municipal Securities Rulemaking Board ("MSRB") and to the State Information Depository, in a timely manner, the notices described below (the "Notices").

The Annual Information shall consist of (a) financial information and operating data of the type included in this Official Statement in "PART 3 - SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" under the heading "Dormitory Income Account - Moneys Available to Pay Authority Debt Service"; in "PART 7 - THE STATE UNIVERSITY OF NEW YORK" under the headings "Enrollment", "Appropriations of State Funds to the University", "Tuition and Other Unrestricted Revenue", "Outstanding Debt", and "Construction at the University"; and in the Annual Information Statement of the State, under the headings or subheadings "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; and in Information on the State University of New York set forth in Appendix C hereto, including but not limited to the annual audited financial statements, together with (b) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data concerning, and in judging the financial condition of, the State and the University.

The Notices include notices of any of the following events with respect to the Series 2008A Bonds, if material: (1) principal and interest payment delinquencies; (2) nonpayment-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 the rights of holders of the security; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the securities; and (11) rating changes. In addition, the Authority will undertake, for the benefit of the Holders of the Series 2008A Bonds, to provide to each Repository or the MSRB, and to the State Information Depository, in a timely manner, notice of any failure by the State to provide the Annual Information and annual financial statements by the date required in the State's undertaking described above.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement to provide continuing disclosure described above is an action to compel specific performance of the undertakings of the State and/or the Authority, and no person, including any Holder of the Series 2008A Bonds, may recover monetary damages thereunder under any circumstances. The Authority or the State may be compelled to comply with their respective obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required under the Continuing Disclosure Agreement, by any owner of Outstanding Bonds or by the Trustee on behalf of the owners of Outstanding Bonds or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the owners of Outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the owners of not less than 25% in aggregate principal amount of the then-Outstanding Bonds. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Resolution. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may be amended or modified without Bondholders' consent under certain circumstances set forth therein. Copies of the Continuing Disclosure Agreement when executed by the parties thereto upon the delivery of the Series 2008A Bonds will be on file at the principal office of the Authority.

PART 18 - SOURCES OF INFORMATION AND CERTIFICATIONS

Certain information concerning the University and the State included in this Official Statement has been furnished or reviewed and authorized for use by the Authority by such sources as described below. While the Authority believes that these sources are reliable, the Authority has not independently verified this information and does not guarantee the accuracy or completeness of the information furnished by the respective sources. The Authority is relying on certificates from each source, to be delivered at or prior to the time of delivery of the Series 2008A Bonds, as to the accuracy of such information provided or authorized by it.

The University. The University provided certain information contained in this Official Statement, including the information relating to the University under the captions "PART 1 - INTRODUCTION - The Project", "PART 1 - INTRODUCTION - The University and the State", "PART 1 - INTRODUCTION - Dormitory Income Account - Revenues", "PART 3 - SOURCES OF PAYMENT AND SECURITY FOR THE BONDS - Dormitory Income Account - Moneys

Available to Pay Authority Debt Service", "PART 7 - THE STATE UNIVERSITY OF NEW YORK", and "Appendix C - Information on the State University of New York" hereto (the "University Information").

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

The State. The State Division of the Budget provided the information in "Appendix B - Information Concerning the State of New York".

The Director of the Budget of the State of New York will certify to the Authority that the information contained in the Annual Information Statement of the State of New York, including any updates or supplements, is true, correct and complete in all material respects, and no facts have come to her attention that would lead her to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; provided, however, that while the statements and information contained in the Annual Information Statement, including any updates or supplements, which were obtained from sources other than the State are not certified as to truth, correctness or completeness, such statements and information have been obtained from sources that she believes to be reliable and she has no reason to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; provided further, however, that with regard to the statements and information in such section under the caption "Litigation" such statements and information as to legal matters are given to the best of her information and belief, having made such inquiries as she deemed appropriate at the office of the Department of Law of the State, without any further independent investigation. This certification applies both as of the date of the Official Statement and as of the date of the delivery of the Series 2008A Bonds.

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

This Official Statement includes by cross-reference certain information. The General Purpose Financial Statements of the State of New York for the State fiscal year ended March 31, 2008 have been provided to each Nationally Recognized Municipal Securities Information Repository ("NRMSIR"). For information on the financial condition of the State, including the 2008-09 State Financial Plan, see "Appendix B - Information Concerning the State of New York". The portions of the State's Annual Information Statement not included in Appendix B are on file with each NRMSIR.

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

"Appendix A - Certain Definitions", "Appendix D - Summary of Certain Provisions of the Agreement", "Appendix E - Summary of Certain Provisions of the Resolution" and "Appendix F - Form of Approving Opinion of Bond Counsel" have been prepared by Squire, Sanders & Dempsey L.L.P., New York, New York, Bond Counsel.

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

The Authority will certify that, both as of the date of this Official Statement and on the date of delivery of the Series 2008A Bonds, the information contained in this Official Statement is and will be fairly presented in all material respects, and that this Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading (it being understood that the Authority has relied upon and has not undertaken independently to verify the information contained in this Official Statement relating to the University or the State, but which information the Authority has no reason to believe is untrue or incomplete in any material respect).

The references herein to the Act, other laws of the State, the Resolution and the 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 2008A Bonds are fully set forth in the Resolution (including any Supplemental Resolutions thereto), and neither any advertisement of the Series 2008A Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2008A Bonds. So far as any statements are made in this Official Statement involving matters of opinion or an estimate, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the offices of the Authority and the Trustee.

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

DORMITORY AUTHORITY OF
THE STATE OF NEW YORK

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

Appendices

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CERTAIN DEFINITIONS

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CERTAIN DEFINITIONS

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

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

Administrative Expenses means expenses incurred by the Authority in carrying out its duties under the Agreement and under the Resolution, including, without limitation, accounting, administrative, financial advisory and legal expenses incurred in connection with the financing and construction of the Project, the fees and expenses of the Trustee, any Paying Agents or any other fiduciaries acting under the Resolution, the fees and expenses of any Facility Provider, the cost of providing insurance with respect to a Facility, the portion of the State "cost recovery fee" imposed pursuant to Section 2975 of the Public Authorities Law of the State allocable to the Bonds and expenditures to compel full and punctual performance of the Agreement in accordance with its terms;

Agreement means the Lease and Agreement, dated as of September 20, 1995, between the Authority and the State University, as from time to time amended or supplemented in accordance with the terms and provisions of the Resolution and of the Agreement, including as amended and restated in its entirety as of September 24, 2003, between the Authority and the State University;

Annual Administrative Fee means, collectively, the fee payable during each Bond Year for (i) a portion of the general administrative and overhead expenses of the Authority allocated in accordance with a formula established by the Authority to the services performed by the Authority in the financing and refinancing of or the design, construction, acquisition, reconstruction, rehabilitation, improvement or equipping of Facilities and matters related thereto; and (ii) the costs, expenses and charges incurred by the Authority pursuant to law or otherwise in carrying out its duties under the Resolution and under the Agreement, or in enforcing the Agreement or as a consequence of Bonds remaining Outstanding, including, without limitation, accounting, auditing, financial advisory and legal expenses incurred by the Authority, and the fees and expenses of any Facility Provider, the Trustee, any Paying Agent or other fiduciary acting under the Resolution;

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

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

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

Authorized Officer means (i) in the case of the Authority, the Chairman, the Vice–Chairman, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, the Deputy Executive Director, the Chief Financial Officer, the Managing Director of Public Finance, the Managing Director of Construction, the Managing Director of Policy and Program Development, and the General Counsel, and when used with reference to any act or document also means any other person authorized by a resolution or the by-laws of the Authority to perform such act or execute such document; (ii) in the case of the State University, when used with reference to any act or document, means the person identified in the Resolution or in the Agreement as authorized to perform such act or execute such document, and in all other cases means the Chancellor, the Senior Vice Chancellor and the Secretary of the Board, and when used with reference to any act or document also means any other person authorized by resolution or by-laws of the State University to perform such act or execute such document; and (iii) in the case of the Trustee, the President, a Vice President, a Corporate Trust Officer, an Assistant Corporate Trust Officer, a Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee;

Basic Rent, when used in the Resolution, means the amount payable pursuant the Agreement on account of Bonds;

Basic Rent, when used in the Agreement, means that portion of the Rentals payable pursuant the Agreement;

Bond or Bonds, when used in the Resolution, means any of the bonds of the Authority authorized and issued pursuant to the Resolution and to a Series Resolution;

Bond or Bonds, when used in the Agreement means any of the bonds of the Authority authorized and issued pursuant to a Resolution as such term is defined for purposes of the Agreement;

Bond Counsel means an attorney or a law firm, appointed by the Authority, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds;

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

Bond Year means a period of twelve (12) consecutive months beginning July 1 in any calendar year and ending on June 30 of the succeeding calendar year;

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

Book Entry Bond means a Bond authorized to be issued to, and issued to and registered in the name of, a Depository for the participants in such Depository;

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

Capital Plan means a written plan, in a form and containing such information as is acceptable to the Authority and the Director of the Division of Budget, setting forth among other things: (1) a schedule of all capital improvements planned to be undertaken for each Facility during each of the next succeeding five Fiscal Years; (2) the source of funds anticipated to be used to finance each such capital improvement; and (3) the amount, in each such Fiscal Year, that is anticipated to be expended from the Dormitory Income Account on account of such improvements;

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

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

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

Cost or Costs of the Project means costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessary in connection with the Project, including, but not limited to, (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 incurred for labor and materials and payments to contractors, builders and materialmen, for the acquisition, construction, reconstruction, rehabilitation, repair and improvement of the Facilities, (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 or, and for supervising the Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs which the State University or the Authority shall be required to pay or cause to be paid for the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of the Facilities, (vii) any sums required to reimburse the State University, the State or the Authority for advances made for any of the above items or for other costs incurred and for work done by them in connection with the Project (including interest on borrowed money), (viii) interest on the Bonds prior to, during and for a reasonable period after completion of the acquisition, construction, reconstruction, rehabilitation, repair, improvement or equipping of the Facilities, and (ix) fees, expenses and liabilities of the Authority incurred in connection with the Project or pursuant to the Resolution or to the Agreement, a Credit Facility or a Liquidity Facility;

Counterparty means any person with which the Authority has entered into an Interest Rate Exchange Agreement, provided that, at the time the Interest Rate Exchange Agreement is executed, the senior or uncollateralized long–term debt obligations of such person, or of any person that has guaranteed for the term of the Interest Rate Exchange Agreement the obligations of such person thereunder, are rated, without regard to qualification of such rating by symbols such as "+" or "–" or numerical notation, by at least two nationally recognized statistical rating services, not lower than in the third highest rating category;

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

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

Defeasance Security means any of the following:

(a) a Government Obligation of the type described in clauses (i), (ii), (iii) or (iv) of the definition of Government Obligations;

(b) a Federal Agency Obligation described in clauses (i) or (ii) of the definition of Federal Agency Obligations; and

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

Defeased Facility means a building or improvement previously acquired, constructed, reconstructed, rehabilitated or improved for use by the State University, other than dining hall facilities and "State University educational facilities," as such term is defined in the Act, for which there are no Bonds Outstanding and for which the revenues of such facility are deposited in the Dormitory Income Account**; provided, however,** it shall not include any facility the State University and Authority have agreed in writing shall be excluded as a Facility for purposes of the Agreement;

Depository means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other person, firm, association or corporation designated in the Series Resolution authorizing a Series of Bonds or a Bond Series Certificate relating to a Series of Bonds to serve as securities depository for the Bonds of such Series;

Dormitory Income Account means the account by that name created and established pursuant to the Agreement;

Dormitory Income Account Requirement means the amount which is sufficient to provide for: (1) the payment of Rentals during the current Fiscal Year; plus (2) the cost of operating, maintaining, repairing and renovating the Project for the current Fiscal Year; plus (3) the Dormitory Income Account Reserve Requirement;

Dormitory Income Account Reserve means the amount within the Dormitory Income Account that is allocable to the Dormitory Income Account Reserve Requirement;

Dormitory Income Account Reserve Requirement means the sum of: (i) the Operation and Maintenance Reserve Requirement and (ii) the Repair and Rehabilitation Reserve Requirement;

Exempt Obligation means any of the following:

(i) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, which is not a "specified private activity bond" within the meaning of Section 57(a)(5) of the Code and which, at the time an investment therein is made or such obligation is deposited in any fund or account under, is rated, without regard to qualification by symbols such as "+" or "–" or numerical notation, by at least two nationally recognized statistical rating services not lower than the second highest rating category for such obligation;

(ii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and

(iii) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations;

Facility or **Facilities**, when used in the Resolution, means a dormitory acquired or to be acquired, constructed, reconstructed, rehabilitated or improved for use by the State University, as such term is defined in section 1676(2)(a) of the Act, including any dining, parking, recreational or other facility that is necessary, usually attendant and related to a housing unit, for which Bonds are Outstanding; **provided, however,** that it shall not include any dormitory or ancillary facility as to which the Agreement is terminated in accordance with the provisions of the Agreement summarized in Appendix D under the heading "Abandonment, Withdrawal and Sale of Facilities" herein shown on the records maintained by the State University and the Authority;

Facility or **Facilities**, when used in the Agreement, means a dormitory acquired or to be acquired, constructed, reconstructed, rehabilitated or improved for use by the State University, as such term is defined in section 1676(2)(a) of the Act, including any dining, parking, recreational or other facility that is necessary, usually attendant and related to a housing unit, for which Bonds are Outstanding and any Defeased Facility**; provided, however,** that it shall not include any dormitory or ancillary facility as to which this Agreement is terminated in accordance with the provisions of the Agreement summarized in Appendix D under the heading "Abandonment, Withdrawal and Sale of Facilities" herein shown on the records maintained by the State University and the Authority;

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

Federal Agency Obligation means any of the following:

(i) an obligation issued by any federal agency or instrumentality approved by the Authority;

(ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency approved by the Authority;

(iii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and

(iv) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations;

Fiscal Year means the fiscal year of the State University in effect from time to time, which as of the date of the Agreement and until changed shall be the period of twelve (12) consecutive months beginning July 1 in any calendar year and ending on June 30 of the succeeding calendar year;

Government Obligation means any of the following:

(i) a direct obligation of the United States of America;

(ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment of principal and interest by the United States of America;

(iii) an obligation to which the full faith and credit of the United States of America are pledged;

(iv) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and

(v) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations;

Interest Rate Exchange Agreement means an agreement entered into by the Authority which relates to Bonds of one or more Series or other bonds, notes or other obligations issued by the Authority in connection with Facilities, which provides that the Authority is to pay to the Counterparty an amount based on the interest accruing at a fixed or variable rate per annum on a stated principal amount and that the Counterparty is to pay to the Authority an amount based on the interest accruing on the same principal amount at a fixed or variable rate per annum, in each case computed according to a formula set forth in such agreement, or that one shall pay to the other any net amount due under such agreement;

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

Leased Property means the Facilities, including the land, if any, owned by the Authority on which such Facilities are located and the rights of the Authority with respect thereto;

Lease Term means the duration of the leasehold estate created by the Agreement as specified in the Agreement unless sooner terminated in accordance with the provisions of the Agreement;

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

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

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

Operation and Maintenance Reserve Requirement means as of the last day of each Fiscal Year, an amount equal to five (5) percent of the amount disbursed from the Dormitory Income Account for operation and maintenance of the Project during the Fiscal Year prior to the Fiscal Year of calculation;

Operating Expenses means, in the event that upon a default under the Agreement or termination of the Agreement, the Authority re-enters a Facility, the costs and expenses for or in connection with the operation and maintenance thereof, administrative expenses, insurance premiums, auditing and legal expenses and any other expenses incurred as a result or by reason of the re-entry upon and the operation, reletting or sale of the Facility, including the expenses and compensation of the Trustee and each Paying Agent incurred under the Resolution or by reason of the Resolution and of any person retained by the Authority to operate or manage such Facility;

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

Outstanding, when used in reference to Bonds, means, as of a particular date, all Bonds authenticated and delivered under the Resolution and under any applicable Series Resolution except:

(i) any Bond canceled by the Trustee at or before such date;

(ii) any Bond deemed to have been paid in accordance with the Resolution;

(iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Resolution; and

(iv) any Option Bond tendered or deemed tendered in accordance with the provisions of the Series Resolution authorizing such Bond or the Bond Series Certificate relating to such Bond on the applicable adjustment or conversion date, if interest thereon shall have been paid through such applicable date and the purchase price thereof shall have been paid or amounts are available for such payment as provided in the Resolution and in the Series Resolution authorizing such Bond or the Bond Series Certificate relating to such Bond;

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

Permitted Collateral means any of the following:

(i) Government Obligations described in clauses (i), (ii) or (iii) of the definition of Government Obligations;

(ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations;

(iii) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one nationally recognized statistical rating service and (c) is issued by a domestic corporation whose unsecured senior debt is rated, without regard to qualification by symbols such as "+" or "–" or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category; and

(iv) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least $125,000,000 and is rated, without regard to qualification by symbols such as "+" or "–" or numerical notation, by Bests Insurance Guide or a nationally recognized statistical rating service in the highest rating category;

Permitted Encumbrances means and includes:

(i) undetermined liens and charges incident to construction or maintenance, and liens and charges incident to construction or maintenance now or hereafter filed on record which are being contested in good faith and have not proceeded to judgment;

(ii) the lien of taxes and assessments which are not delinquent;

(iii) the lien of taxes and assessments which are delinquent but the validity of which is being contested in good faith unless thereby any of the Leased Property or the interest of the Authority may be in danger of being lost or forfeited;

(iv) minor defects and irregularities in the title to the Leased Property which do not in the aggregate materially impair the use of the Leased Property for the purposes for which it is or may reasonably be expected to be held;

(v) easements, exceptions or reservations for the purpose of pipelines, telephone lines, telegraph lines, power lines and substations, roads, streets, alleys, highways, railroad purposes, drainage and sewerage purposes, dikes, canals, laterals, ditches, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which do not materially impair the use of such property for the purposes for which it is or may reasonably be expected to be held;

(vi) rights reserved to or vested in any municipality or governmental or other public authority to control or regulate or use in any manner any portion of the Leased Property which do not materially impair the use of the Leased Property for the purposes for which it is or may reasonably be expected to be held;

(vii) any obligations or duties affecting any portion of the Leased Property of any municipality or governmental or other public authority with respect to any right, power, franchise, grant, license or permit;

(viii) present or future valid zoning laws and ordinances;

(ix) the Agreement and the Resolution; and

(x) with respect to a particular Facility, such other encumbrances or items affecting title;

Permitted Investments means any of the following:

(i) Government Obligations;

(ii) Federal Agency Obligations;

(iii) Exempt Obligations;

(iv) uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State;

(v) collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than $125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter of credit, contract, agreement or surety bond issued by it, are rated, without regard to qualification by symbols such as "+" or "–" or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category, and (b) are fully collateralized by Permitted Collateral;

(vi) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one nationally recognized statistical rating service and (c) is issued by a domestic corporation whose unsecured senior debt is rated, without regard to qualification by symbols such as "+" or "–" or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category; and

(vii) Investment Agreements that are fully collateralized by Permitted Collateral;

Project, when used in the Resolution, means the acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of the Facilities;

Project, when used in the Agreement, means all of the Facilities;

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

Qualified Financial Institution means any of the following entities that has an equity capital of at least $125,000,000 or whose obligations are unconditionally guaranteed by an affiliate or parent having an equity capital of at least $125,000,000:

(i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York list of primary government securities dealers and (b) whose senior unsecured long term debt is at the time an investment with it is made is rated, without regard to qualification by symbols such as "+" or "–" or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated, without regard to qualification by symbols such as "+" or "–" or numerical notation, by at least one nationally recognized statistical rating service not lower than in the highest rating category; **provided, however,** that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service;

(ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America or any foreign nation, whose senior unsecured long term debt is at the time an investment with it is made is rated, without regard to qualification by symbols such as "+" or "–" or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated, without regard to qualification by symbols such as "+" or "–" or numerical notation, by at least one nationally recognized statistical rating service not lower than in the highest rating category; **provided, however,** that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service;

(iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt is at the time an investment with it is made is rated, without regard to qualification by symbols such as "+" or "–" or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated, without regard to qualification by symbols such as "+" or "–" or numerical notation, by at least one nationally recognized statistical rating service not lower than in the highest rating category; **provided, however,** that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service;

(iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority; or

(v) a corporation whose obligations, including any investments of any moneys held under the resolution purchased from such corporation, are insured by an insurer that meet the applicable rating requirements set forth above;

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

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

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

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

Remarketing Agent means the person appointed by or pursuant to a Series Resolution authorizing the issuance of Option Bonds to remarket such Option Bonds tendered or deemed to have been tendered for purchase in accordance with such Series Resolution or the Bond Series Certificate relating to such Option Bonds;

Rentals means the rent payable under the Agreement;

Repair and Rehabilitation Reserve Requirement means as of the last day of each Fiscal Year, an amount equal to the greater of: (i) twenty (20) percent of the amount set forth in the Capital Plan to be funded from monies in the Dormitory Income Account for repair and rehabilitation of the Project during the next succeeding five Fiscal Years; or (ii) one hundred (100) percent of the amount to be funded from moneys in the Dormitory Income Account for repair and rehabilitation of the Project during the next succeeding Fiscal Year in accordance with the Capital Plan; **provided, however**, that such amount shall be reduced by the amount of any moneys withdrawn for the purpose of repairing, renovating or improving the Project in accordance with the Agreement until the last day of the Fiscal Year following the Fiscal Year during which such amount was withdrawn;

Resolution, when used in the Resolution, means the Lease Revenue Bond Resolution (State University Dormitory Facilities Issue), of the Authority, adopted September 20, 1995, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions thereof, including as amended and restated in its entirety by the First Supplemental Resolution, adopted September 24, 2003;

Resolution, when used in the Agreement, means the "LEASE REVENUE BOND RESOLUTION (STATE UNIVERSITY DORMITORY FACILITIES ISSUE)" of the Authority, adopted September 20, 1995, as amended and restated as of September 24, 2003, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions thereof, or such other and separate resolution adopted by the Authority, the bonds issued pursuant to which are secured by amounts payable pursuant to the Agreement, including from moneys held in the Dormitory Income Account;

Revenues means (i) the Basic Rent paid by the State University pursuant to the Agreement, (ii) all rents, income and profits derived by or for the account of the Authority upon its re-entry upon the Facilities and the operation, reletting or sale thereof in accordance with the Agreement, after deducting the Operating Expenses therefrom and (iii) the right to receive the same and the proceeds thereof and of such right;

Serial Bonds means the Bonds so designated in a Series Resolution or a Bond Series Certificate;

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

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

Sinking Fund Installment means, as of any date of calculation, so long as any Bonds of the Series, Sub-Series and maturity entitled to Sinking Fund Installments are Outstanding, the amount of money required by the Series Resolution pursuant to which such Bonds were issued or by the Bond Series Certificate relating thereto to be paid on a single future date for the retirement of any Outstanding Bonds of said Series which mature after said future date, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future date is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Option Bonds or Variable Interest Rate Bonds of such Series are deemed to be Bonds entitled to such Sinking Fund Installment; **provided, however,** that Sinking Fund Installments on all Bonds, other than Variable Interest Rate Bonds or Option Bonds, shall be payable on July 1 of any year in which is a Sinking Fund Installment is scheduled to be due;

Standby Purchase Agreement means an agreement by and between the Authority and a Facility Provider or by and among the Authority, the State University and another person, pursuant to which such Facility Provider is obligated to purchase an Option Bond tendered for purchase;

State means the State of New York;

State University or **University** means the State University of New York, a corporation created in the Education Department of the State and within the University of the State of New York by and under Article 8 of Title 1 of the Education Law of the State, as amended;

Sub–Series means the grouping of Bonds of a Series established by the Authority pursuant to the Series Resolution authorizing the issuance of the Bonds of such Series or the Bond Series Certificate related to such Series of Bonds;

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

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

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

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

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

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

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INFORMATION CONCERNING THE STATE OF NEW YORK

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

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

The AIS set forth in this Appendix B is dated May 12, 2008. It was updated on August 6, 2008. The AIS was also filed with each Nationally Recognized Municipal Securities Information Repository (NRMSIR). An official copy of the AIS may be obtained by contacting a NRMSIR, or the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705. An informational copy of the AIS is available on the Internet at http://www.budget.state.ny.us.

The Basic Financial Statements and Other Supplementary Information for the State fiscal year ended March 31, 2008 were prepared by the State Comptroller in accordance with accounting principles generally accepted in the United States of America and independently audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Basic Financial Statements and Other Supplementary Information were issued on July 25, 2008 and have been referred to or set forth thereafter in appendices of information concerning the State in Preliminary Official Statements and Official Statements of the State and certain of its public authorities. The Basic Financial Statements and Other Supplementary Information, which are included in the Comprehensive Annual Financial Report, may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 Tel: (518) 474-4015.

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

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

August 6, 2008

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

In this AIS Update, readers will find:

1. Extracts from the First Quarterly Update to the 2008-09 Financial Plan (the "Updated Financial Plan"), which the Division of the Budget ("DOB") issued on July 30, 2008. The Updated Financial Plan includes (a) a summary of recent events and changes to the Enacted Budget Financial Plan made through the end of the regular 2008 legislative session, (b) revised Financial Plan projections for fiscal years 2008-09 through 2011-12, (c) operating results for the first quarter of fiscal year 2008-09, (d) an updated economic forecast, (e) information on recent labor settlements reached with certain unions representing State employees, (f) the Generally Accepted Accounting Principles (GAAP)-basis Financial Plan projections for 2008-09, and (g) a summary on debt and capital management. It is available on the DOB website, www.budget.state.ny.us.

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

3. A summary of GAAP-basis results for the 2007-08 fiscal year (the full statements are available on the State Comptroller's website, www.osc.state.ny.us).

4. Updated information regarding the State Retirement Systems.

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

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

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

The State may issue AIS supplements or other disclosure notices to this AIS Update as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS Update in Official Statements or related disclosure documents for State or State-supported debt issuance. The State has filed this AIS Update directly with Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) and with the Central Post Office, Disclosure USA. The Municipal Advisory Council of Texas (Texas MAC) established this internet-based disclosure filing system, approved by the Securities and Exchange Commission, to facilitate the transmission of disclosure-related information to the NRMSIRs. An official copy of this AIS Update may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705 or from any NRMSIR. OSC issued the Basic Financial Statements for the 2007-08 fiscal year on July 28, 2008. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and are available on its website at www.osc.state.ny.us.

Usage Notice

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

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

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

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Update to the 2008-09 Financial Plan

Note: *DOB issued the Updated Financial Plan on July 30, 2008, extracts of which are set forth below. The Updated Financial Plan includes updated estimates for 2008-09 and projections for 2009-10 through 2011-12. As such, it contains estimates and projections of future results that should not be construed as statements of fact. These estimates and projections are based upon various assumptions that may be affected by numerous factors, including future economic conditions in the State and nation and potential litigation. There can be no assurance that actual results will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan.*

The State accounts for all of its spending and revenues by the fund in which the activity takes place (such as the General Fund), and the broad category or purpose of that activity (such as State Operations). The Financial Plan tables sort all State projections and results by fund and category. The State Constitution requires the Governor to submit an Executive Budget that is balanced on a cash basis in the General Fund — the Fund that receives the majority of State taxes, and all income not earmarked for a particular program or activity. Since this is the fund that is required to be balanced, the focus of the State's budget discussion is often weighted toward the General Fund.

The State also reports spending and revenue activity by two other broad measures: State Funds, which includes the General Fund and funds specified for dedicated purposes, but excludes 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.

For the full name of any acronym used in this AIS Update, please see the Glossary of Acronyms on Pages 61-64 of this AIS Update.

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2008-09 Updated Financial Plan Extracts

In comparison to the Enacted Budget Financial Plan, DOB has significantly lowered its projections for tax receipts in each of the four years of the Financial Plan. This change in projections reflects the worsening outlook for the national and State economies and the anticipated impact on State tax collections. In light of market uncertainties, DOB has also lowered the amount of resources from health insurance conversions that it expects to be available to finance State health care spending, thereby creating a potential funding gap in the Health Care Reform Act (HCRA) fund starting in 2009-10. Given the new potential funding gap in the HCRA fund, and given the close financing relationship between the General Fund and the HCRA fund, DOB has considered the General Fund and HCRA fund gaps on a combined basis for planning purposes.

DOB now projects a (a) potential General Fund gap of approximately $630 million in the current fiscal year and (b) larger combined gaps for the General Fund and HCRA fund in 2009-10 and thereafter in comparison to the Enacted Budget Financial Plan. To address the current year gap and help reduce the gaps in future years, DOB, in close cooperation with State agencies, is developing a Fiscal Management Plan (FMP). The FMP is anticipated to produce $630 million in savings in the current year, which is expected to be sufficient to close the General Fund budget gap without the use of existing reserves, and yield $500 million in savings on a recurring basis. After accounting for the impact of the FMP savings, DOB projects combined General Fund and HCRA fund budget gaps of $6.4 billion in 2009-10, $9.3 billion in 2010-11, and $10.5 billion in 2011-12. These projected outyear gaps are greater than those projected in recent years.

The FMP is expected to include reductions in State agency operations in the range of 7 percent from current estimates, which is in addition to the 3.35 percent reduction previously announced with the 2008-09 Enacted Budget and currently being implemented by the agencies. It will also include a statewide hiring freeze, cancellation of all non-essential purchases, and expanded central controls on all discretionary resource allocation decisions. It is expected that certain measures in the FMP, such as the transfer of excess balances from other funds made available through cost-savings measures, will require legislative approval. DOB expects to issue detailed FMP instructions to State agencies later in August 2008.

The Updated Financial Plan estimates set forth in the following Financial Plan extracts assume the successful implementation of the FMP. For presentation purposes only, the FMP is assumed to reduce General Fund personal service spending by $300 million and non-personal service spending by $200 million on a recurring basis. The balance of the FMP savings in the current year is assumed to be derived from State operations spending reductions in other funds, with the resources made available to the General Fund. Actual implementation may differ from these planning assumptions.

The Updated Financial Plan is intended to assist the Legislature and public in understanding the current operating forecast and the impact on State finances over a multi-year period. It is available on-line at www.budget.state.ny.us or by contacting the Division of the Budget, State Capitol, Albany, NY 12224, (518) 473-8705.

Upcoming Events

DOB plans to issue its next quarterly update to the Financial Plan (the "Mid-Year Update") in October 2008, which will include a comprehensive review of the Financial Plan forecasts based on economic activity, receipts and disbursement results through the first half of the fiscal year, and a review of program trends. The forecasts contained in the Mid-Year Update will provide a basis for "quick start" discussions with the Legislature and the Comptroller in November 2008 that are required by the 2007 Budget Reform Act and will help in the formulation of the Executive Budget for 2009-10. Consistent with Budget Reform requirements, a meeting is expected to be held later in August 2008 among Executive and Legislative staff to review the financial information contained in the Updated Financial Plan, discuss the FMP, and consider other matters as needed.

To help interested parties better understand the composition of the Financial Plan forecasts and foster productive dialogue on budget issues, DOB plans to supplement the detailed forecasts set forth in the Mid-Year Financial Plan by publishing explanations of the methodologies used to prepare the forecasts for major programs, including welfare, Medicaid, school aid, debt service, health insurance, and pensions. The methodologies will be issued in advance of the November "quick start" discussions for the fiscal year 2009-10 budget, through which each house of the Legislature, the Comptroller, and the Executive are required to prepare detailed reports containing multi-year cash projections of receipts and disbursements.

Financial Plan at a Glance: Key Measures
(millions of dollars)

	2007-08 Actual	2008-09 Enacted Budget Plan	2008-09 Updated Financial Plan	2009-10 Current Services [1]
State Operating Funds Budget [2]				
Size of Budget	$77,003	$80,862	$80,506	$87,275
Annual Growth	4.8%	5.0%	4.5%	8.4%
NYS Long-Term Estimated Personal Income Growth	5.3%	5.3%	5.3%	5.3%
Other Budget Measures (Annual Growth) [2]				
General Fund (with transfers)	$53,387	$56,361	$56,157	$62,261
	3.5%	5.6%	5.2%	10.9%
State Funds (Including Capital)	$81,379	$85,972	$85,567	$93,897
	5.3%	5.6%	5.1%	9.7%
Capital Budget (Federal and State)	$6,131	$7,080	$6,978	$8,552
	10.3%	15.5%	13.8%	22.6%
Federal Operating	$32,924	$33,664	$33,820	$35,123
	-2.3%	2.2%	2.7%	3.9%
All Governmental Funds	$116,058	$121,606	$121,304	$130,950
	2.9%	4.8%	4.5%	8.0%
All Govt'l Funds (Including "Off-Budget" Capital) [3]	$117,692	$123,674	$123,372	$133,338
	3.2%	5.1%	4.8%	8.1%
Inflation (CPI) Growth	3.3%	3.1%	4.2%	2.9%
All Funds Receipts				
Taxes	$60,871	$63,904	$63,085	$65,989
Miscellaneous Receipts	$19,643	$20,084	$19,878	$21,167
Federal Grants	$34,909	$35,956	$35,965	$37,052
Total Receipts	$115,423	$119,944	$118,928	$124,208
Base Tax Growth	6.0%	2.6%	1.6%	5.3%
Outyear Gap Forecast [4]				
2009-10	N/A	($5,016)	($6,355)	($6,355)
2010-11	N/A	($7,731)	($9,295)	($9,295)
2011-12	N/A	($8,762)	($10,545)	($10,545)
Total General Fund Reserves (year-end)	$2,754	$2,031	$1,753	$1,801
State Workforce (# of FTEs at year-end) [5]	199,754	201,170	200,251	201,825
Debt				
Debt Service as % All Funds	4.0%	4.4%	4.4%	4.7%
State Related Debt Outstanding	$49,579	$52,794	$52,522	$55,918

1 Reflects the projected cost of providing currently budgeted services in 2009-10, before any new initiatives.
2 First Quarter estimates assume successful implementation of the FMP. See text.
3 "Off-budget" capital reflects capital projects payments made by authorities on behalf of the State directly from bond proceeds.
4 Combined General Fund and HCRA gaps. See text for discussion.
5 Revised workforce estimates will be reported in the Mid-Year Update to reflect the impact of the FMP that is being required at this time.

Summary

Economic Troubles

The nation's economic troubles are severe and widespread. Equity markets have entered so-called "bear market" territory, having fallen by about 20 percent from their October 2007 peak. Write-downs at major U.S. financial firms have now exceeded $225 billion, with more expected in the third quarter of calendar year 2008. Commodity prices have surged, creating inflationary pressures. The twin mortgage giants, Fannie Mae and Freddie Mac, which were to play a critical role in restoring liquidity to the housing market, have themselves faltered badly. Important financial institutions face a crisis of confidence among investors and the general public.

DOB expects the widespread turmoil to have an adverse impact on the State economy, which has a significant concentration of firms directly affected by recent events. Profitability and employment in the financial services sector, a linchpin of the State economy, has been weakened by the turmoil in markets. Finance and insurance sector bonuses are now projected to fall 20.5 percent in 2008-09, and capital gains by nearly 25 percent. Weaker growth in employment, capital gains, and bonuses, in turn, is expected to produce slower growth in income. Growth in State wages has been revised down from 2.7 percent to 2.0 percent in 2008 and from 2.4 percent to 1.5 percent in 2009. State employment is expected to remain flat in 2009, with private sector jobs now projected to fall 0.1 percent following an estimated growth of just 0.2 percent for both total and private employment in calendar year 2008. Growth in personal income has been revised down to 1.1 percent in 2009 (see "Economic Forecast" herein).

State Receipts Forecast is Reduced

During the first quarter of State fiscal year 2008-09, General Fund operating results did not fully register the severity of the economic downturn. Receipts through the first three months of the fiscal year, including transfers from other funds, were $15 million lower than projected in the Enacted Budget cash-flow forecast, a slight variance on a collections base of $16.8 billion. Disbursements were approximately $153 million above planned levels, largely reflecting the timing of certain payments. The General Fund closing balance on June 30, 2008 was $3.6 billion, or $168 million below the Enacted forecast (see "Year-to-Date Operating Results" later in this AIS Update).

In the coming months, however, DOB expects that the economic downturn will begin to have a substantial impact on tax collections. The first quarter results benefited from continuing strength in PIT collections, which were $431 million above planned levels (including transfers), but this was largely related to calendar year 2007 activity, not current conditions. By comparison, business taxes, which are more responsive to current economic trends, especially the continuing weakness in the banking sector, were down by over $450 million in the first three months of the fiscal year versus the initial cash-flow forecast. DOB believes that recent business tax results are a more likely indicator of the direction of tax collections.

Accordingly, DOB has reduced its forecast for General Fund tax receipts for the current fiscal year and for 2009-10, based on the revised economic forecast. Business tax collections are expected to decline substantially based on performance to date and the dislocation in the credit markets. Receipts in the current year have been lowered by $510 million from the Enacted estimate due in large part to reduced bank tax liability and higher than expected corporate franchise tax refunds. In 2009-10, the estimate for business taxes has been reduced by $342 million. PIT collections are expected to begin to weaken in the latter half of the fiscal year, reflecting the revised forecast for 2008 bonuses and capital gains realizations. Overall, PIT collections in the current year are expected to finish $25 million higher than the Enacted estimate based on the strength of 2007 liability payments, but have been reduced by $500 million in 2009-10, reflecting the projected impact of calendar year 2008 liability payments. Sales and excise tax collections are also expected to decline due to the economic downturn. Receipts for these taxes have been revised downward by $161 million in the current year and $127 million in 2009-10 (see "Revisions to the General Fund Enacted Budget Financial Plan—Receipts Reestimates" and "All Funds Receipts Projections" later in this AIS Update).

Other First Quarter Revisions Increase Costs

DOB has also made a number of substantive reestimates to the General Fund disbursements forecast. Labor settlements with unions representing the Unified Court System and CUNY employees, which were ratified after the Enacted Budget Financial Plan, are expected to add costs of $256 million in the current year and $243 million in 2009-10 (the 2008-09 cost will be financed with existing reserves, as planned). The May 2008 update to the School Aid database resulted in higher costs of $219 million in 2009-10 and smaller increases in subsequent years (see "Revisions to the General Fund Enacted Budget Financial Plan—Disbursement Reestimates" and "All Funds Disbursements Projections" later in this AIS Update).

The Updated Financial Plan reflects the fiscal impact of bills passed by the Legislature in the 2008 regular session and approved to date by the Governor. The bills are expected to add costs of roughly $10 million in the current year growing to $20 million when fully annualized. To cover the potential costs of certain bills yet to be acted on by the Governor, the Updated Financial Plan also includes a reserve of $50 million in the current year, $100 million in 2009-10, and $150 million thereafter (see "Revisions to the General Fund Enacted Budget Financial Plan—Legislative Session Changes" later in this AIS Update).

Financial Plan Outlook Before FMP Savings

Absent cost-savings measures expected to be taken in the FMP (see below), DOB estimates that the revisions to receipts and disbursements would result in (a) a potential General Fund imbalance of $630 million in the current year and (b) a $6.5 billion gap in 2009-10, an increase of $1.5 billion over the Enacted Budget Financial Plan estimate. The increase in the 2009-10 gap principally reflects revisions to the General Fund tax receipts forecast ($880 million), costs of recent labor settlements ($243 million, for which reserves are available only in the current year), and the school aid database update ($219 million). It also reflects a reserve of $100 million for the potential fiscal impact of legislation that has yet to be acted on by the Governor.

The impact of turbulent economic conditions is not limited to the General Fund Financial Plan. Estimated proceeds from health care conversions, which were counted on to finance certain health care spending, have been reduced by roughly $375 million over the next two years, reflecting weakness in the managed care sector and stock price fluctuations. This opens a potential $310 million deficit in HCRA in 2009-10.

Fiscal Management Plan to Maintain Budget Balance, Reduce Future Gaps

DOB, in close cooperation with State agencies, is developing an FMP. The FMP is anticipated to produce $630 million in savings in the current year, which is expected to be sufficient to maintain budget balance in the General Fund during 2008-09 without the use of existing reserves, and is expected to generate $500 million in savings on a recurring basis. After accounting for the impact of the FMP savings, DOB projects combined budget gaps for the General Fund and HCRA of $6.4 billion in 2009-10, $9.3 billion in 2010-11, and $10.5 billion in 2011-12. The table below summarizes the current forecast.

Summary of Changes to General Fund Forecast for 2008-09 through 2011-12 Savings/(Costs) (millions of dollars)				
	2008-09	2009-10	2010-11	2011-12
ENACTED GENERAL FUND SURPLUS/(GAP) ESTIMATE	**0**	**(5,016)**	**(7,731)**	**(8,762)**
Receipts Revisions (Before FMP)	(615)	(880)	(1,146)	(1,316)
Disbursement Revisions (Before FMP)	45	(288)	(168)	(297)
Labor Settlements	0	(243)	(317)	(317)
New Legislation (Including Reserve)	(60)	(118)	(170)	(170)
REVISED GENERAL FUND SURPLUS/(GAP) ESTIMATE BEFORE FMP	**(630)**	**(6,545)**	**(9,532)**	**(10,862)**
FMP Savings Target	630	500	500	500
CURRENT GENERAL FUND SURPLUS/(GAP) ESTIMATE	**0**	**(6,045)**	**(9,032)**	**(10,362)**
HCRA Shortfall	0	(310)	(263)	(183)
COMBINED GENERAL FUND/HCRA CURRENT SURPLUS/(GAP)	**0**	**(6,355)**	**(9,295)**	**(10,545)**

The FMP is expected to include reductions in State agency operations in the range of 7 percent from current estimates, implementation of a statewide hiring freeze, cancellation of all non-essential purchases, and expanded controls on all discretionary resource allocation decisions. It is possible that certain measures in the FMP, such as the transfer of excess balances in other funds made available through cost-savings measures, will require legislative approval. DOB expects to issue detailed FMP instructions to State agencies later in August 2008.

The Financial Plan estimates set forth herein assume the successful implementation of the FMP. For presentation purposes only, the FMP is assumed to reduce General Fund personal service spending by $300 million and non-personal service spending by $200 million on a recurring basis. The balance of the FMP savings is assumed to be derived from State Operations spending reductions in other funds, with the resources made available to the General Fund. Actual implementation may differ from these planning assumptions.

Closing Balance

The Updated Financial Plan projects that the General Fund will end the 2008-09 fiscal year with a balance of $1.8 billion. This estimate depends on the successful implementation of the FMP. The projected closing balance is a decrease of $1.0 billion from 2007-08. It reflects the planned use of $876 million to finance the costs of labor settlements and other spending, $103 million for member-items in the Community Projects Fund, and $22 million for debt management purposes. Market conditions will determine whether additional resources earmarked by DOB for debt management will be used in the current year. Balances in the other reserves are expected to remain unchanged. HCRA is expected to end the 2008-09 year with a balance of $85 million (see “HCRA Financial Plan” herein).

Workforce

The State workforce, which reflects FTEs of the Executive Branch, excluding the Legislature, Judiciary, and contractual labor, is currently projected to total 200,251 in 2008-09, a decline of 919 FTEs from the Enacted Budget levels. The projected workforce levels will be revised in the Mid-Year Update to reflect the impact of FMP actions that are expected to be taken to eliminate the current-year imbalance. Agencies reporting the most significant declines include Transportation, Tax and Finance, Correctional Services, and Health, consistent with the 3.35 percent State Operations reductions included in the Enacted Budget.

Risks

The Financial Plan forecast is subject to many complex economic, social, and political risks and uncertainties, many of which are outside the ability of the State to control. These include, but are not limited to, the performance of the 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; litigation against the State, including potential challenges to the constitutionality of certain tax actions authorized in the Enacted Budget; and actions taken by the Federal government, including audits, disallowances, and changes in aid levels. In addition, the forecast contains specific transaction risks and other uncertainties, including, but not limited to, the sale of development rights for a VLT facility at the Aqueduct racetrack; the enforcement of certain tax regulations on Native American reservations; the conversion of certain not-for-profit health insurance companies to for-profit status, and the achievement of cost-saving measures, including, but not limited to, FMP savings, at the levels projected. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Financial Plan in the current year (see "Financial Plan Reserves and Risks" herein).

There can be no assurance that (a) the FMP as implemented will correspond to the specific reductions assumed in the Updated Financial Plan, (b) actual savings from the FMP will not fall short of planned levels, (c) additional cost-savings measures, including measures requiring legislative approval, will not be required in the current year to maintain a balanced budget.

Over the past five years, DOB estimates that the State has closed current-services gaps of $9.3 billion in 2003-04, $5.1 billion in 2004-05, $4.2 billion in 2005-06, $762 million in 2006-07, and $1.6 billion in 2007-08. By law, the Governor must annually submit, and the Legislature must enact, a budget that is balanced on a cash-basis in the General Fund.

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Revisions to General Fund Enacted Budget Financial Plan

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

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

	2008-09	2009-10	2010-11	2011-12
ENACTED GENERAL FUND SURPLUS/(GAP) ESTIMATE	**0**	**(5,016)**	**(7,731)**	**(8,762)**
Receipts Revisions	(615)	(880)	(1,146)	(1,316)
Business Taxes	(510)	(342)	(413)	(451)
Personal Income Tax*	25	(500)	(600)	(700)
Sales/Use Taxes*	(161)	(127)	(178)	(199)
Miscellaneous Receipts/Other*	31	89	45	34
Disbursement Revisions (Before FMP)	45	(288)	(168)	(297)
School Aid	10	(219)	(81)	(87)
Lottery	(54)	0	0	0
Medicaid	(23)	33	24	20
Human Services COLA	0	(32)	(34)	(36)
Fringe Benefits	53	29	(33)	(84)
Education	20	(12)	(6)	(2)
Local Government Aid	14	0	(3)	(7)
Federal Patient Income Revenues	25	0	0	0
All Other	0	(87)	(35)	(101)
Labor Settlements	0	(243)	(317)	(317)
Judiciary	(163)	(134)	(184)	(184)
CUNY	(93)	(109)	(133)	(133)
Use of Reserve	256	0	0	0
Legislative Session Changes	(60)	(118)	(170)	(170)
Property Tax Costs of NYRA "Clean-Up" Bill	(8)	(15)	(15)	(15)
Protection of Children in Residential Facilities	(2)	(2)	(2)	(2)
All Other	0	(1)	(3)	(3)
Reserve	(50)	(100)	(150)	(150)
REVISED GENERAL FUND SURPLUS/(GAP) ESTIMATE BEFORE FMP	**(630)**	**(6,545)**	**(9,532)**	**(10,862)**
Net Change From Enacted Plan	*(630)*	*(1,529)*	*(1,801)*	*(2,100)*
FMP Savings Target	630	500	500	500
CURRENT GENERAL FUND SURPLUS/(GAP) ESTIMATE	**0**	**(6,045)**	**(9,032)**	**(10,362)**
HCRA Shortfall	0	(310)	(263)	(183)
COMBINED GENERAL FUND/HCRA CURRENT SURPLUS/(GAP) ESTIMATE	**0**	**(6,355)**	**(9,295)**	**(10,545)**
Net Change From Enacted Plan	*0*	*(1,339)*	*(1,564)*	*(1,783)*

** Includes transfers*

Receipts Revisions:

- **Tax Revenues.** The downward revisions primarily reflect DOB's revised economic forecast and the anticipated impact on tax collections (see "Economic Forecast" and "All Funds Receipts Projections" herein for additional information).

- **Miscellaneous Receipts/Other.** The upward revisions are based on collections experience to date for licenses, fees, refunds and reimbursements, as well as a technical reclassification of the Medicare Part D Federal subsidy to a miscellaneous receipt (from a General Fund spending offset).

Disbursement Revisions:

- **School Aid.** The May 2008 update to the school aid database resulted in higher costs of $219 million in 2009-10, based on additional claims filed since the Enacted Budget, and updated wealth and demographic information reported by school districts. These additional costs are primarily driven by growth in Foundation Aid, Excess Cost Aids, and Building Aid. Based on statute, additional school year obligations from 2008-09 and earlier years will be paid in State fiscal year 2009-10. As in prior years, the updated school district data and additional claims have resulted in a significant cost increase to the State's multi-year Financial Plan, subsequent to the Enacted Budget agreements. The reduction in spending in the current year reflects an increase in the estimated offset from the Federal share of Medicaid costs associated with School Supportive Health Care Services program.

- **Lottery Aid.** New games offered in 2008-09 have not performed as well as expected. General Fund support for school aid is increased to compensate for the lower revenues.

- **Medicaid (including administrative costs).** DOH has experienced delays in implementing certain pharmacy cost containment, which is projected to result in a cost of $33 million in 2008-09. This is offset in part by $10 million in additional fraud recoveries expected in 2008-09. Other changes include lower spending in 2009-10 and beyond based on the elimination of certain legislative rate enhancements that were included in the Enacted Budget.

- **Human Services COLA.** The COLA requirement reflects an increase in the projected provider payments that are intended to fund the COLA. The 2009-10 COLA is based on the actual 12-month consumer price increases ending July 2008. DOB now projects the 2009-10 COLA to be 3.5 percent instead of the 2.5 percent projected at the Enacted Budget.

- **Fringe Benefits.** Pension costs are expected to be lower than anticipated in 2009-10, then increase by roughly $35 million in 2010-11 and $88 million in 2011-12 to reflect revisions to the estimated pension contribution rates. Projected growth in health insurance costs for State employees and retirees remains unchanged, but an additional $30 million in dividends is estimated to be available in 2008-09 based on experience to date. Other changes are mainly due to an increase in spending due to a technical change to reflect the Medicare Part D Federal subsidy as a miscellaneous receipt instead of a reduction to spending, which has no impact on General Fund balance.

- **Education.** Certain discretionary grants are not expected to be disbursed in the current year as originally anticipated at the time of the Enacted Budget, and are now expected to be made in subsequent fiscal years. These initiatives include additional grants in aid to certain school districts, public libraries, and not-for-profit institutions.

- **Local Government Aid.** Spending for City of Buffalo and Erie County Efficiency Incentive Grants is expected to be $10 million lower in 2008-09 but higher in future years due to the timing of spending plan approvals. In addition, lower spending in 2008-09 reflects a reduction in State administrative expenses and estimated disbursements for local shared services grants as well as a revised estimate of aid for local property tax administration.

Other revisions include: a downward revision to the expected savings from the Judiciary's management plan that may be realized pending further review; higher spending for various mental hygiene programs based on a revised forecast of community bed development and costs associated with a joint task force designed to improve care of the mentally ill; and technical adjustments to Enacted Budget estimates in a number of areas. These costs are partially offset by savings identified in various agencies and programs, based on a review of recent spending experience. These include: an increase in the estimated Federal share of Medicaid costs available to finance mental hygiene programs ($25 million); lower than expected costs in Correctional Services for personnel expenses ($10 million); and reduced need for General Fund support in other areas.

Labor Settlements

Since the Enacted Budget, the State has reached new labor contracts with unions representing employees of the Unified Court System and CUNY. In 2008-09, the General Fund costs of these new labor agreements are financed in their entirety through the use of existing reserves set aside for this purpose. This leaves $189 million in reserve for the remaining unsettled unions. If such unions were to agree to comparable terms as the settled unions, it would result in a current-year cost of approximately $190 million.

Legislative Session Changes:

Since the release of the 2008-09 Enacted Budget, the Governor has approved several bills with a fiscal impact that were passed by the Legislature during the regular 2008 legislative session, as summarized below.

- **NYRA Property Tax Payments.** Increases the property tax payments owed by the State to local taxing entities that host racing and gaming facilities operated by NYRA, which include the counties of Saratoga, Nassau and Queens, as well as their respective school districts and municipalities. As a result of legislation, the State is newly responsible for property tax payments associated with the Saratoga, Aqueduct, and Belmont racing facilities. These payments were previously owed by NYRA.

- **Protection of Children in State Facilities.** This law is intended to enhance the safety of children in residential facilities and programs operated or licensed by the State by clarifying the standards of alleged abuse and neglect and strengthening the process for investigating and responding to such allegations.

- **All Other.** Reflects the fiscal impact of numerous bills, including costs associated with: the establishment of a Master's Degree training program that enhances recruitment of students to work in lab programs currently restricted to doctoral students; a non-ambulatory animal task force; permission for New York City to treat certain moving violations as parking violations; establishment of a Well Water Education program; and a requirement for DCJS to create and distribute an educational video for parents on child sexual predators.

The Updated Financial Plan includes a reserve to cover the fiscal impact of bills that have been passed by the Legislature but not yet acted on by the Governor. Bills with a significant fiscal impact include restrictions on mandatory overtime for nurses, additional community housing for developmentally disabled mentally ill individuals, allowance of mid-semester recalculation of income for TAP eligibility, further training for court officers to allow for a reclassification to police officers, reimbursement to expert forensic child abuse examiners, and various bills to amend tax law.

Annual Spending Growth

General Fund spending, including transfers to other funds, is projected to total $56.2 billion in 2008-09, an increase of $2.8 billion over 2007-08 actual results. The General Fund must, by law, end the year in balance on a cash basis. State Operating Funds spending, which includes the General Fund, State-financed special revenue funds, and debt service, is projected to increase by $3.5 billion and total $80.5 billion in 2008-09. All Governmental Funds spending, the broadest measure of spending that includes State Operating Funds, capital spending, and Federal grants, is projected to total $121.3 billion in 2008-09, an increase of $5.2 billion. The spending estimates for 2008-09 assume $500 million in General Fund savings through the FMP ($300 million in personal service and $200 million in non-personal service).

Total Disbursements*
(millions of dollars)

	2007-08 Actuals	2008-09 Enacted	2008-09 Current	Annual $ Change	Annual % Change	$ Change from Enacted Plan
State Operating Funds	**77,003**	**80,862**	**80,506**	**3,503**	**4.5%**	**(356)**
General Fund **	50,613	50,811	50,512	(101)	-0.2%	(299)
Other State Funds	22,254	25,338	25,296	3,042	13.7%	(42)
Debt Service Funds	4,136	4,713	4,698	562	13.6%	(15)
All Governmental Funds	**116,058**	**121,606**	**121,304**	**5,246**	**4.5%**	**(302)**
State Operating Funds	77,003	80,862	80,506	3,503	4.5%	(356)
Capital Projects Funds	6,131	7,080	6,978	847	13.8%	(102)
Federal Operating Funds	32,924	33,664	33,820	896	2.7%	156
General Fund, including Transfers	**53,387**	**56,361**	**56,157**	**2,770**	**5.2%**	**(204)**

** Estimates assume successful implementation of FMP. See text.*
*** Excludes transfers.*

State Operating Funds spending is projected to increase by 4.5 percent in 2008-09. The major sources of State Operating Funds spending growth from 2007-08 to 2008-09 are presented in the table below. Please see the Enacted Budget Financial Plan for a detailed summary of the sources of annual growth.

Main Sources of State Operating Funds Growth State Fiscal Year Basis (millions of dollars)	2007-08 Results	2008-09 July Update	Annual $ Change	Annual % Change
STATE OPERATING FUNDS *	**77,003**	**80,506**	**3,503**	**4.5%**
Local Assistance:				
School Aid**	18,983	20,737	1,754	9.2%
Medicaid (excluding Local Cap)***	12,133	12,529	396	3.3%
Medicaid: Local Cap Takeover Initiative	235	311	76	32.3%
Mental Hygiene**	2,107	2,970	863	41.0%
CUNY	1,013	1,285	272	26.9%
Local Government Assistance	917	1,230	313	34.1%
Children and Families**	1,610	1,760	150	9.3%
Transportation	2,825	2,988	163	5.8%
Debt Service	4,104	4,628	524	12.8%
Personal Service *	9,731	10,035	304	3.1%
Non-Personal Service *	5,310	4,829	(481)	-9.1%
All Other ****	18,035	17,204	(831)	-4.6%

** Estimates assume successful implementation of the FMP. See text.*

*** Includes Medicaid spending disbursed by such agencies.*

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

***** Includes adjustment to 2008-09 estimates based on 2007-08 results.*

2008-09 Projected Closing Balances

General Fund

DOB projects the State will end the 2008-09 fiscal year with a General Fund balance of $1.8 billion (3.1 percent of spending). The balance consists of $1.2 billion in undesignated reserves and $526 million in reserves designated to finance existing or potential future commitments. The projected closing balance is $278 million lower than projected at the time of the 2008-09 Enacted Budget Financial Plan due to the expected use of $256 million to finance the costs of recent labor settlements and $22 million for debt management purposes (specifically the termination of certain interest rate exchange agreements associated with variable rate bonds that have been refunded with fixed-rate bonds). The projected balance assumes successful implementation of the FMP.

General Fund Estimated Closing Balance (millions of dollars)	2008-09 Enacted Plan	2008-09 Current Estimate	*Change*
Projected First Quarter Fund Balance	**2,031**	**1,753**	***(278)***
Undesignated Reserves	1,227	1,227	*0*
Tax Stabilization Reserve Fund	1,031	1,031	*0*
Rainy Day Reserve Fund	175	175	*0*
Contingency Reserve Fund	21	21	*0*
Designated Reserves	804	526	*(278)*
Reserve for Labor Settlements	445	189	*(256)*
Reserve for Debt Reduction	122	100	*(22)*
Community Projects Fund	237	237	*0*

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

The designated reserves include $237 million in the Community Projects Fund to finance existing "member item" initiatives, $189 million that is available to finance the cost of potential labor settlements, and $100 million that may be used in the current year for debt management purposes depending on market conditions.

State Operating Fund

DOB projects the State will end the 2008-09 fiscal year with a State Operating Funds balance of $4.6 billion. The balance consists of $1.8 billion in the General Fund, $2.4 billion in balances in numerous State Special Revenue Funds and $365 million in Debt Service Funds. The projected closing balance has decreased by $575 million from the Enacted Budget Financial Plan estimate. This largely reflects the use of reserves to finance new labor settlements and a reduction in expected health care conversions proceeds, which reduces the projected year-end balance in the Health Care Resources Fund.

State Operating Funds Estimated Closing Balance
(millions of dollars)

	2008-09 Enacted Plan	2008-09 Current Estimate	*Change*
Projected First Quarter Fund Balance	**5,132**	**4,557**	***(575)***
General Fund	2,031	1,753	*(278)*
Special Revenue Funds	2,748	2,439	*(309)*
Miscellaneous Special Revenue	726	874	148
Industry Assessments	*139*	*139*	*0*
Health and Social Welfare	*288*	*286*	*(2)*
General Government	*189*	*190*	*1*
All Other	*110*	*259*	*149*
State University Income	922	943	21
Mass Transportation Operating Assistance	225	149	(76)
Health Care Resources Fund	471	85	(386)
Lottery Fund	25	24	(1)
All Other	379	364	(15)
Debt Service Funds	353	365	*12*

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

General Fund Outyear Budget Projections

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

General Fund First Quarter Update Forecast*
(millions of dollars)

	2008-09	2009-10	2010-11	2011-12
Receipts				
Taxes	39,986	41,498	43,373	45,744
Personal Income Tax	23,938	24,440	25,883	27,703
User Taxes and Fees	8,803	9,150	9,448	9,804
Business Taxes	6,049	6,583	6,634	6,739
Other Taxes	1,196	1,325	1,408	1,498
Miscellaneous Receipts	2,551	2,531	2,531	2,294
Federal Grants	41	0	0	0
Transfers from Other Funds	12,578	12,235	12,724	13,390
Personal Income Tax in Excess of Revenue Bond Debt Service	8,602	8,703	9,055	9,517
Sales Tax in Excess of LGAC Debt Service	2,326	2,437	2,539	2,651
Real Estate Taxes in Excess of CW/CA Debt Service	573	563	603	655
All Other	1,077	532	527	567
Total Receipts	**55,156**	**56,264**	**58,628**	**61,428**
Disbursements				
Grants to Local Governments	39,237	43,544	47,399	50,373
State Operations				
Personal Service	5,990	6,259	6,679	6,860
Non-Personal Service	2,174	2,330	2,450	2,493
General State Charges	3,111	3,836	4,091	4,440
Transfers to Other Funds	5,645	6,292	7,063	7,704
Medicaid State Share	2,655	2,632	2,678	2,701
Debt Service	1,698	1,746	1,734	1,714
Capital Projects	469	711	1,080	1,147
Other Purposes	823	1,203	1,571	2,142
Total Disbursements	**56,157**	**62,261**	**67,682**	**71,870**
Change in Reserves				
Debt Reduction Reserve	(22)	0	0	0
Prior Year Reserves	(876)	0	0	0
Community Projects Fund	(103)	48	(22)	(80)
Deposit to/(Use of) Reserves	**(1,001)**	**48**	**(22)**	**(80)**
Revised Budget Surplus/(Gap) Estimate	**0**	**(6,045)**	**(9,032)**	**(10,362)**
Potential HCRA Shortfall	0	(310)	(263)	(183)
Combined General Fund/HCRA Revised Budget Surplus/(Gap) Estimate	**0**	**(6,355)**	**(9,295)**	**(10,545)**

** Estimates assume successful implementation of FMP. See text.*

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

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

2009-10 General Fund Annual Change*
Savings/(Costs)
(millions of dollars)

	2009-10
RECEIPTS GROWTH	**1,108**
Personal Income Tax*	603
User Taxes and Fees*	458
Business Taxes	534
Other Taxes*	119
Miscellaneous Receipts/Federal Grants	(61)
All Other Transfers/Changes	(545)
**Includes transfers after debt service*	
DISBURSEMENTS GROWTH	**6,104**
Local Assistance	**4,307**
Medicaid (including admin)	1,741
Program Growth	*865*
Other (Includes 53rd Medicaid Cycle and Timing of Certain Payments	*650*
Medicaid Cap/Family Health Plus Takeover	*226*
School Aid	1,991
Children and Family Services	161
Local Government Aid	174
All Other Local Assistance	240
State Operations*	**425**
Personal Service	269
Non-Personal Service	156
General State Charges	**725**
Health Insurance	304
Pensions	193
All Other	228
Transfers to Other Funds	**647**
Change in Planned Use of Reserves (net)	**(1,049)**
Potential HCRA Shortfall	**(310)**
PROJECTED 2009-10 BUDGET GAP	**(6,355)**

** Estimates assume successful implementation of FMP. See text.*

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

- **The performance of the economy in general, and the financial services sector in particular, and the concomitant impact on State tax receipts.** DOB's current economic outlook for 2008 calls for the State to follow the nation into recession, accompanied by job losses and a substantial slowdown in wage growth. The forecast for State tax receipts is based on the current forecast.

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

- **The projections do not include any extra costs for unsettled labor settlements**. The Financial Plan projections do not include costs for the unions, including unions representing uniformed officers, that have not yet reached labor settlements with the State.

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

Outyear General Fund Forecast

Receipts

Total Receipts (millions of dollars)							
	2009-10 Projected	2010-11 Projected	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund	**56,264**	**58,628**	**2,364**	**4.2%**	**61,428**	**2,800**	**4.8%**
Taxes	41,498	43,373	1,875	4.5%	45,744	2,371	5.5%
State Funds	**87,050**	**90,491**	**3,441**	**4.0%**	**94,310**	**3,819**	**4.2%**
Taxes	65,989	69,206	3,217	4.9%	72,783	3,577	5.2%
All Funds	**124,208**	**128,781**	**4,573**	**3.7%**	**134,285**	**5,504**	**4.3%**
Taxes	65,989	69,206	3,217	4.9%	72,783	3,577	5.2%

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

All Funds tax receipts in 2010-11 are projected to reach $69.2 billion, an increase of $3.2 billion, or 4.9 percent from 2009-10 estimates. All Funds tax receipts in 2011-12 are expected to increase by nearly $3.6 billion (5.2 percent) over the prior year. General Fund tax receipts are projected to reach $43.4 billion in 2010-11 and $45.7 billion in 2011-12 (see "All Funds Receipts Projections" herein for a detailed explanation of All Funds receipts projections by source).

Disbursements

DOB forecasts General Fund spending of $62.3 billion in 2009-10, an increase of $6.1 billion (10.9 percent) over projected 2008-09 levels. Growth in 2010-11 is projected at $5.4 billion (8.7 percent) and in 2011-12 at $4.2 billion (6.2 percent). The growth levels are based on current services projections, as modified by the budgetary actions approved during the end of the regular legislative session. The current estimates reflect savings anticipated from the FMP to balance the current year and reduce the outyear gaps. The main sources of annual spending growth are itemized in the following table.

Outyear Disbursement Projections - General Fund
(millions of dollars)

	2008-09	2009-10	Annual $ Change	Annual % Change	2010-11	Annual $ Change	Annual % Change	2011-12	Annual $ Change	Annual % Change
Grants to Local Governments:	**39,237**	**43,544**	**4,307**	**11.0%**	**47,399**	**3,855**	**8.9%**	**50,373**	**2,974**	**6.3%**
School Aid	17,815	19,806	1,991	11.2%	21,678	1,872	9.5%	23,244	1,566	7.2%
Medicaid (including administration)	8,457	9,972	1,515	17.9%	11,045	1,073	10.8%	11,786	741	6.7%
Medicaid: Local Relief	762	988	226	27.4%	1,337	349	28.4%	1,706	369	27.6%
Mental Hygiene	2,063	2,163	100	4.8%	2,221	58	2.7%	2,303	82	3.7%
Children and Family Services	1,760	1,921	161	9.1%	2,102	181	9.4%	2,254	152	7.2%
Local Government Assistance	1,231	1,405	174	14.1%	1,485	80	5.7%	1,485	0	0.0%
Higher Education	2,555	2,647	92	3.6%	2,732	85	3.2%	2,754	22	0.8%
Health	628	728	100	15.9%	783	55	7.6%	811	28	3.6%
Other Education Aid	1,742	1,810	68	3.9%	1,860	50	2.8%	1,919	59	3.2%
Temporary and Disability Assistance	1,213	1,279	66	5.4%	1,280	1	0.1%	1,283	3	0.2%
Transportation	110	103	(7)	-6.4%	103	0	0.0%	103	0	0.0%
All Other	901	722	(179)	-19.9%	773	51	7.1%	725	(48)	-6.2%
State Operations *:	**8,164**	**8,589**	**425**	**5.2%**	**9,129**	**540**	**6.3%**	**9,353**	**224**	**2.5%**
Personal Service	5,990	6,259	269	4.5%	6,679	420	6.7%	6,860	181	2.7%
Non-Personal Service	2,174	2,330	156	7.2%	2,450	120	5.2%	2,493	43	1.8%
General State Charges	**3,111**	**3,836**	**725**	**23.3%**	**4,091**	**255**	**6.6%**	**4,440**	**349**	**8.5%**
Pensions	1,052	1,245	193	18.3%	1,320	75	6.0%	1,430	110	8.3%
Health Insurance (Active Employees)	1,620	1,802	182	11.2%	1,959	157	8.7%	2,187	228	11.6%
Health Insurance (Retired Employees)	1,056	1,178	122	11.6%	1,283	105	8.9%	1,347	64	5.0%
Medicaid Adjustment	(1,373)	(1,156)	217	-15.8%	(1,281)	(125)	10.8%	(1,360)	(79)	6.2%
All Other	756	767	11	1.5%	810	43	5.6%	836	26	3.2%
Transfers to Other Funds:	**5,645**	**6,292**	**647**	**11.5%**	**7,063**	**771**	**12.3%**	**7,704**	**641**	**9.1%**
State Share Medicaid	2,655	2,632	(23)	-0.9%	2,678	46	1.7%	2,701	23	0.9%
Debt Service	1,698	1,746	48	2.8%	1,734	(12)	-0.7%	1,714	(20)	-1.2%
Capital Projects	469	711	242	51.6%	1,080	369	51.9%	1,147	67	6.2%
All Other	823	1,203	380	46.2%	1,571	368	30.6%	2,142	571	36.3%
TOTAL DISBURSEMENTS	**56,157**	**62,261**	**6,104**	**10.9%**	**67,682**	**5,421**	**8.7%**	**71,870**	**4,188**	**6.2%**

** Estimates assume successful implementation of FMP. See text.*

Grants to Local Governments

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

Forecast for Selected Program Measures Affecting Local Assistance
(dollars)

	Actual	Forecast			
	2007-08	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Medicaid					
Medicaid Coverage	3,577,561	3,665,541	3,746,047	3,994,438	4,149,548
Family Health Plus Coverage	518,189	545,996	563,084	605,390	605,390
Child Health Plus Coverage	360,436	403,913	435,665	444,667	453,670
Medicaid Inflation	2.0%	2.9%	3.0%	3.0%	3.0%
Medicaid Utilization	-3.6%	-3.1%	4.1%	4.2%	4.4%
State Takeover of County/NYC Costs (Total)	$631	$762	$988	$1,337	$1,706
- Family Health Plus	$396	$451	$451	$481	$484
- Medicaid	$235	$311	$537	$856	$1,222
Education					
School Aid (School Year)	$19,693	$21,501	$23,300	$25,850	$27,450
K-12 Enrollment	2,764,379	2,764,000	2,764,000	2,764,000	2,764,000
Public Higher Education Enrollment (FTEs)	512,362	518,431	525,408	529,133	533,021
Tuition Assistance Program Recipients	312,779	311,036	312,536	314,286	315,786
Welfare					
Family Assistance Caseload	372,964	352,967	351,696	351,941	352,553
Single Adult/No Children Caseload	150,447	143,929	149,511	155,246	160,035
Mental Hygiene					
Mental Hygiene Community Beds	83,278	85,277	87,568	90,497	94,792

Medicaid

General Fund spending for Medicaid is expected to grow by $1.7 billion in 2009-10, $1.4 billion in 2010-11, and another $1.1 billion in 2011-12.

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

	2007-08	2008-09	Annual $ Change	2009-10	Annual $ Change
Base Growth (State Funds)	12,369	12,840	471	14,382	1,542
Hospitals/Clinics	2,629	2,852	223	3,095	243
Nursing Homes	2,785	3,064	279	3,501	437
Managed Care	1,341	1,509	168	1,692	183
Home Care	2,050	2,352	302	2,678	326
Non-Institutional/Other*	1,404	738	(666)	889	151
Pharmacy	1,282	1,416	134	1,667	251
Family Health Plus	878	909	31	860	(49)
Less: Other State Funds Support	3,371	3,621	250	3,422	(199)
HCRA Financing	1,958	2,232	274	2,033	(199)
Provider Assessment Revenue	572	548	(24)	548	0
Indigent Care Revenue	841	841	0	841	0
Total General Fund	**8,998**	**9,219**	**221**	**10,960**	**1,741**
Local Cap/Family Health Plus Takeover (incl. above)	631	762	131	988	226

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

Medicaid growth results, in part, from the combination of projected increases in recipients, service utilization, and medical care cost inflation that impact nearly all categories of service (e.g., hospitals, nursing homes). The State cap on local Medicaid costs and takeover of local FHP costs, which are included in base categories of service, are projected to increase spending by $226 million in 2009-10, $349 million in 2010-11, and $369 million in 2011-12. In 2009-10, an extra weekly payment to providers adds an estimated $300 million in base spending across all fee-for-service categories of spending. The remaining growth is primarily attributable to the available resources in other State Funds which are used to lower General Fund costs, including lower levels of HCRA financing beginning in 2009-10.

The average number of Medicaid recipients is expected to grow to over 3.7 million in 2009-10, an increase of 2.2 percent from the estimated 2008-09 caseload. FHP enrollment is estimated to grow to approximately 563,000 individuals in 2009-10, an increase of 3.1 percent over the projected 2008-09 enrollment of almost 546,000 individuals.

School Aid

Multi-Year School Aid Projection — School Year Basis (millions of dollars)							
	2008-09	2009-10	Annual $ Change	2010-11	Annual $ Change	2011-12	Annual $ Change
Foundation Aid/Academic Achievement Grant	14,892	16,200	1,308	18,050	1,850	19,000	950
Universal Pre-kindergarten	451	540	89	630	90	655	25
High Tax Aid	203	100	(103)	100	0	100	0
EXCEL Building Aid	135	179	44	191	12	191	0
Expense-Based Aids (Building, Transportation, High Cost and Private Excess Cost, BOCES)	5,138	5,549	411	6,040	491	6,566	526
Other Aid Categories/Initiatives	682	732	50	839	107	938	99
Total School Aid	**21,501**	**23,300**	**1,799**	**25,850**	**2,550**	**27,450**	**1,600**

Projected school aid increases are primarily due to increases in Foundation Aid, Universal Pre-Kindergarten expansion, and increases in expense-based aids such as Building Aid and Transportation Aid. Increased funding in 2008-09 for High Tax Aid and several other aid categories is provided on a one year basis only.

On a school-year basis, school aid is projected at $23.3 billion in 2009-10, $25.9 billion in 2010-11, and $27.5 billion in 2011-12. Outside the General Fund, revenues from core lottery sales are projected to increase by $143 million in 2009-10, $74 million in 2010-11, and $108 million in 2011-12 (totaling $2.5 billion in 2011-12). Revenues from VLTs are projected to total $721 million in 2008-09, then decrease by $134 million in 2009-10 following the expected one-time receipt of $250 million in revenues during 2008-09 for the sale of development rights at Aqueduct racetrack. They are then projected to increase by $219 million in 2010-11 and $196 million in 2011-12. VLTs are expected to total $1.0 billion in 2011-12. The VLT estimates assume the start of operations at Aqueduct in 2009-10 and Belmont in 2010-11.

Mental Hygiene

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

Children and Family Services

Children and Family Services local assistance spending is projected to grow by $161 million in 2009-10, $181 million in 2010-11 and $152 million in 2011-12. The increases are driven primarily by expected growth in local child welfare claims, the implementation of the OCFS Medicaid waiver, and cost-of-living increases for human services providers through 2011-12.

Temporary and Disability Assistance

Spending is projected at $1.3 billion in 2009-10, an increase of $66 million from 2008-09, and is expected at the same level through 2011-12. Public assistance caseloads are projected to increase marginally between 2009-10 and 2011-12, but spending is expected to be countered by an increase in Federal offsets, which decreases the level of General Fund resources needed.

Other Local Assistance

All other local assistance programs total $7.4 billion in 2009-10, an increase of $263 million over 2008-09 levels. This primarily reflects increases in local government assistance including unrestricted aid to New York City ($82 million), additional payments for AIM and Local Government Efficiency Grants ($74 million), various public health programs, and education aid. This growth is partially offset by projected declines in spending by DMNA and Labor.

State Operations

State Operations spending is expected to total $8.6 billion in 2009-10, an annual increase of $425 million (5.2 percent). In 2010-11, spending is projected to grow by another $540 million (6.3 percent) to a total of $9.1 billion, followed by another $224 million (2.5 percent) for a total of $9.4 billion in 2011-12. FMP reductions are assumed to reduce State Operations spending levels by $500 million in all years. The net personal service growth primarily reflects the impact of new labor contracts. In addition, salary adjustments for performance advances, longevity payments and promotions, and increased staffing levels (primarily in DOCS) drive spending growth. Inflationary increases for non-personal service costs result in higher spending in all years. Additional growth is driven by spending for ongoing initiatives, including the civil commitment program for sexual offenders, and medical and pharmacy costs in the areas of Mental Hygiene and Corrections.

Personal Service

General Fund — Personal Service (millions of dollars)

	2008-09	2009-10	Annual $ Change	2010-11	Annual $ Change	2011-12	Annual $ Change
Total	**5,990**	**6,259**	**269**	**6,679**	**420**	**6,860**	**181**
Collective Bargaining	433	468	35	698	230	698	0
Correctional Services	1,742	1,788	46	1,815	27	1,834	19
Judiciary	1,330	1,449	119	1,578	129	1,715	137
Fiscal Management Plan	(300)	(300)	0	(300)	0	(300)	0
All Other	2,785	2,854	69	2,888	34	2,913	25

- **Collective Bargaining:** Reflects the impact of labor settlements, including non-judicial OCA employees, which provide a 3 percent salary increase each year beginning in 2007-08 and a 4 percent increase in the final year (2010-11).

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

- **Judiciary:** Reflects projections of anticipated needs for OCA, including more than $50 million for the 27th payroll period.

Non-Personal Service

General Fund — Non-Personal Service (millions of dollars)							
	2008-09	2009-10	Annual $ Change	20010-11	Annual $ Change	2011-12	Annual $ Change
Total	**2,174**	**2,330**	**156**	**2,450**	**120**	**2,493**	**43**
Correctional Services	615	653	38	692	39	735	43
State Police	54	81	27	81	0	80	(1)
Health	121	140	19	160	20	164	4
Temporary and Disability Assistance	35	52	17	53	1	56	3
State University	434	448	14	466	18	486	20
Fiscal Management Plan	(200)	(200)	0	(200)	0	(200)	0
All Other	1,115	1,156	41	1,198	42	1,172	(26)

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

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

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

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

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

General State Charges

Forecast of Selected Program Measures Affecting General State Charges					
	Actual	Forecast			
	2007-08	2008-09	2009-10	2010-11	2011-12
General State Charges					
Pension Contribution Rate as % of Salary	9.7%	8.8%	8.9%	9.7%	10.5%
Employee/Retiree Health Insurance Growth Rates	5.4%	5.5%	9.5%	9.5%	9.5%

GSCs are projected to total $3.8 billion in 2009-10, $4.1 billion in 2010-11 and $4.4 billion in 2011-12. The annual increases are due mainly to anticipated cost increases in pensions and health insurance for State employees and retirees.

The State's pension contribution rate to the New York State and Local Retirement System, which is 8.8 percent for 2008-09, is expected to increase to 8.9 percent for 2009-10, 9.7 percent in 2010-11, and 10.5 percent in 2011-12. Pension costs in 2009-10 are projected to total $1.2 billion, an increase of $193 million over 2008-09 due to projected growth in the salary base. This large growth is also caused by the prepayment of the State's 2008-09 amortization costs in 2007-08. In 2010-11 and 2011-12, they are expected to increase by $75 million and $110 million, respectively, due to an anticipated increase in the State contribution rate.

Forecast of New York State Employee Health Insurance Costs (millions of dollars)			
	Health Insurance Costs		
Year	Active Employees	Retirees	Total State
2008-09	1,621	1,055	2,676
2009-10	1,802	1,178	2,980
2010-11	1,959	1,284	3,243
2011-12	2,134	1,400	3,534

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

Spending for employee and retiree health care costs is expected to increase by $304 million in 2009-10, $263 million in 2010-11, and another $291 million in 2011-12 and assumes an average annual premium increase of roughly 9.5 percent. Health insurance is projected at $2.9 billion in 2009-10 ($1.8 billion for active employees and $1.2 billion for retired employees), $3.2 billion in 2010-11 ($1.9 billion for active employees and $1.3 billion for retired employees) and $3.5 billion in 2011-12 ($2.1 billion for active employees and $1.4 billion for retired employees).

Transfers to Other Funds

Outyear Disbursement Projections — Transfers to Other Funds (millions of dollars)	2008-09	2009-10	Annual Change	2010-11	Annual Change	2011-12	Annual Change
Transfers to Other Funds:	**5,645**	**6,292**	**647**	**7,063**	**771**	**7,704**	**641**
Medicaid State Share	2,655	2,632	(23)	2,678	46	2,701	23
Debt Service	1,698	1,746	48	1,734	(12)	1,714	(20)
Capital Projects	469	711	242	1,080	369	1,147	67
Dedicated Highway and Bridge Trust Fund	228	351	123	741	390	845	104
All Other Capital	241	360	119	339	(21)	302	(37)
All Other Transfers	823	1,203	380	1,571	368	2,142	571
Lottery (School Aid Support)	54	0	(54)	0	0	0	0
Mental Hygiene	35	350	315	699	349	847	148
Medicaid Payments for State Facilities	180	224	359	224	349	224	0
Judiciary Funds	158	148	(10)	158	10	165	7
HCRA (Tobacco Guarantee)	0	0	0	0	0	466	466
SUNY- Hospital Operations	141	159	18	167	8	167	0
Banking Services	66	66	0	66	0	66	0
Empire State Stem Cell Trust Fund	3	35	32	47	12	0	(47)
Statewide Financial System	0	30	30	35	5	30	(5)
All Other	186	191	5	175	(16)	177	2

In 2009-10, transfers to other funds are estimated at $6.3 billion, an increase of $647 million over 2008-09. This increase includes potential transfers to the DHBTF aimed at reducing fund gaps and an increase in other capital transfers of $119 million.

All other transfers are expected to increase by $380 million in 2008-09. The most significant change includes an increase in transfers to supplement resources available for the Mental Hygiene system. In addition, transfers are increasing for the subsidy to SUNY hospitals and to fund the State's financial management system. General Fund transfers for stem cell research are projected to increase in 2009-10 and then end in 2011-12 as support is transitioned from the General Fund to the Health Care Resources Fund beginning in 2009-10.

In 2010-11, transfers to other funds are expected to increase by $771 million. This reflects expected growth in General Fund support to the Dedicated Highway and Bridge Trust Fund and Medicaid related spending in State Operated Mental Hygiene facilities. In 2011-12 transfers are expected to increase by $641 million, mainly to provide subsidies to HCRA, the Dedicated Highway and Bridge Trust Fund, and Mental Hygiene spending.

Year-to-Date Operating Results

General Fund

The General Fund ended June 2008 with a cash balance of $3.6 billion, or $168 million less than projected in the Enacted Budget. Receipts were $15 million lower than projected; disbursements were $153 million higher. The disbursement results, and revised cash flow projections in the Updated Financial Plan, reflect the impact of a reporting change implemented by the State Comptroller on April 1, 2008. Specifically, the State's share of pharmacy rebates and various recoveries from overpayments and audit activity under the Medicaid program are now reflected as an offset, on a monthly basis, to General Fund spending. Much of the remaining variance represents a change in timing of receipts and disbursements, and is not expected to impact the overall General Fund balance beyond those re-estimates that are reflected in the Updated Financial Plan.

2008-09 Fiscal Year
General Fund Results vs. Projections: April - June 2008
(millions of dollars)

	Enacted Budget	Actual Results	Favorable/ (Unfavorable) vs. Plan	Increase/ (Decrease) from Prior Year
Opening Balance (April 1, 2008)	**2,754**	**2,754**	**n/a**	**(291)**
Receipts	**16,805**	**16,790**	**(15)**	**2,031**
Personal Income Tax*	8,522	8,845	323	1,665
User Taxes and Fees	2,201	2,135	(66)	(44)
Business Taxes*	1,488	1,035	(453)	(273)
All Other Taxes, Receipts & Grants*	818	903	85	106
Transfers From Other Funds	3,776	3,872	96	577
Disbursements	**15,773**	**15,926**	**(153)**	**1,004**
Local Assistance	10,381	10,419	(38)	906
Medicaid (including admin)	3,131	2,912	219	(142)
Local Variance	3,131	3,139	(8)	85
Medicaid Accounting Change	0	(227)	227	(227)
School Aid	4,567	4,617	(50)	727
Higher Education	518	492	26	129
All Other Education	397	487	(90)	(9)
Health/Aging	137	87	50	(81)
Mental Hygiene	284	488	(204)	323
Children and Families	240	244	(4)	19
Temporary and Disability Assistance	562	566	(4)	10
Transportation	60	46	14	(13)
All Other	485	480	5	(57)
State Operations	*2,297*	*2,293*	*4*	*(470)*
Personal Service	1,724	1,670	54	(377)
Non-Personal Service	573	623	(50)	(93)
General State Charges	*1,331*	*1,367*	*(36)*	*(543)*
Transfers To Other Funds	*1,764*	*1,847*	*(83)*	*1,111*
Change in Operations	**1,032**	**864**	**(168)**	**1,027**
Closing Balance (June 30, 2008)	**3,786**	**3,618**	**(168)**	**736**

** Excludes transfers to conform to OSC reporting.*

General Fund Comparison to Enacted Budget Projections

Through June 2008, General Fund receipts, including transfers from other funds, totaled $16.8 billion, $15 million lower than the 2008-09 Enacted Budget forecast. This variance is primarily due to higher-than-expected collections in the personal income tax, all other taxes, receipts and grants and transfers from other funds, offset by lower-than-expected collections from business taxes and user taxes and fees.

General Fund disbursements through June 2008 totaled $15.9 billion, $153 million greater than projected. The largest spending variances, exclusive of the Medicaid reporting change, include:

- K-12 Education Aid ($140 million higher than planned): The additional spending is attributable to timing of claims for special education programs ($87 million), education grants ($50 million) and other education aid ($3 million). Spending in special education programs reflects increased claiming by counties, for which SED recently completed its verification and review process. Additional spending in school aid reflects higher than expected claiming by school districts for grant programs.

- Mental Hygiene ($204 million higher than planned): Resulting from the timing of Medicaid-related charges by DOH, as well as disbursements charged to the General Fund instead of the appropriate Special Revenue Fund. These Medicaid appropriation charges are expected to be properly allocated in July.

- Health/Aging ($50 million lower than planned): Attributable to slower-than-anticipated spending across several programs, particularly EI and the General Public Health Works Program.

- Personal Service ($54 million lower than planned): Largely attributable to lower-than-projected DOCS spending for overtime, reduced classes for new recruits, and significant vacancies in prison health care and rehabilitative staff.

- Non-Personal Service ($50 million higher than planned): Attributable to higher than expected costs for supplies, materials, and contractual services at the Department of Taxation and Finance, the Judiciary, and the State Police.

- GSCs ($36 million higher than planned): The Judiciary pension payment was projected to be made in July, but occurred in April. This earlier than expected payment was partly offset by higher-than-expected escrow payments.

General Fund Annual Change

Through June 2008, receipts totaled $16.8 billion, an increase of $2.0 billion, or 14.1 percent, compared to the same period in 2007-08. This annual increase is largely attributable to increases in the personal income tax, transfers from other funds and all other taxes, receipts and grants, offset by a decrease in business taxes and user taxes and fees.

General Fund spending through June 2008 totaled $15.9 billion, $1.0 billion higher than actual results through the same period for fiscal year 2007-08, after consideration of the Medicaid reporting change described above. Significant changes in spending levels from the same period last year include:

- School Aid ($727 million growth): Reflects growth in general purpose aid payments to school districts.

- Medicaid ($85 million growth): Reflects anticipated growth in local assistance payments to Medicaid providers.

- CUNY ($150 million growth): The annual growth is related to a delay in payments to CUNY's Senior Colleges at the end of its 2006-07 academic year (June 2007). The 2007-08 academic year-end payments (June 2008) reflect a return to regular reimbursement payment schedule for New York City.

- Mental Retardation ($323 million growth): Increases driven by Medicaid appropriation restructuring ($200 million) and the timing of Medicaid related charges ($136 million).

- State Operations ($470 million decline): Reflects the movement of a portion of Mental Hygiene State Operations spending (primarily personal service) from the General Fund to the Special Revenue Fund as part of the restructuring of Medicaid spending.

- GSCs ($543 million decline): Primarily reflects a change in reporting related to the restructuring of Medicaid spending, whereby fringe benefit waivers were eliminated for personal service costs supported by State and Federal Medicaid monies. Payment of the corresponding fringe benefit bills in June 2008 resulted in a $411 million reduction to General Fund GSC spending.

- Debt Service ($194 million growth): Higher spending in 2008-09 is due mainly to the payment of debt service on certain SUNY educational facilities bonds. Last year, the State inadvertently made this payment in late 2006-07 rather than early 2007-08.

- Transfers to Other Funds ($811 million growth): Reflects the change in reporting related to the restructuring of Medicaid spending. The State's share of Medicaid payments disbursed by State-operated Mental Hygiene facilities is now reflected as a General Fund transfer to other funds.

State Operating Funds

2008-09 Fiscal Year
State Operating Funds Results vs. Projections: April - June 2008
(millions of dollars)

	Enacted Budget	Actual Results	Favorable/ (Unfavorable) vs. Plan	Increase/ (Decrease) from Prior Year
Total Receipts	**21,041**	**21,041**	**0**	**1,689**
Personal Income Tax	11,881	12,312	431	2,430
User Taxes and Fees	3,400	3,301	(99)	(10)
Business Taxes	1,846	1,342	(504)	(323)
Other Taxes	493	507	14	(4)
Miscellaneous Receipts	3,406	3,576	170	(360)
Federal Grants	15	3	(12)	(44)
Total Disbursements	**18,795**	**18,855**	**(60)**	**643**
Local Assistance	*12,328*	*12,387*	*(59)*	*1,048*
Medicaid (including admin)	3,240	3,026	214	(137)
Local Variance	3,240	3,253	(13)	90
Medicaid Accounting Change	0	(227)	227	(227)
All Other Education	398	490	(92)	(7)
Health/Aging	505	448	57	(110)
Transportation	664	691	(27)	195
STAR	390	392	(2)	160
Temporary and Disability Assistance	562	566	(4)	10
Children and Families	241	245	(4)	19
School Aid	4,895	4,945	(50)	508
Higher Education	518	492	26	129
Mental Hygiene	380	556	(176)	328
All Other	535	536	(1)	(47)
State Operations	*3,850*	*3,936*	*(86)*	*(110)*
Personal Service	2,643	2,592	51	(147)
Non-Personal Service	1,207	1,344	(137)	37
General State Charges	*1,696*	*1,594*	*102*	*(468)*
Capital Projects	*0*	*1*	*(1)*	*0*
Debt Service	*921*	*937*	*(16)*	*173*

State Operating Funds Comparison to Enacted Budget Projections

Through June 2008, State Operating Funds receipts totaled $21.1 billion consistent with the Enacted forecast. Tax receipts totaled $17.4 billion, $158 million below the Enacted Budget estimate. The decrease is largely the result of lower-than-anticipated collections in business taxes, somewhat offset by higher-than-anticipated collections in the personal income tax. Miscellaneous receipts came in $170 million higher-than-projected due to greater-than-expected lottery receipts ($109 million). State Operating Funds disbursements totaled $18.9 billion, $60 million higher than the Enacted Budget forecast and mostly attributable to the General Fund variances described above.

State Operating Funds Annual Change

Through June 2008, total taxes increased by $2.1 billion, or 13.9 percent, compared to the same period in 2007-08. This increase is largely attributable to increased personal income tax collections, slightly offset by decreased collections in the business taxes. The annual decline in miscellaneous receipts is largely driven by the receipt of $499 million in health insurance conversion proceeds in April 2007; conversion proceeds in 2008-09 are projected to be received later in the fiscal year.

Compared to the same period in 2007-08, State Operating Funds disbursements were $643 million higher in the current year. The largest increases were for State School Aid ($508 million), Mental Hygiene ($328 million), Debt Service ($173 million) and CUNY ($150 million), partially offset by a decline in GSCs ($468 million) and Personal Service ($147 million), as described in the General Fund above. In addition, higher STAR property tax rebate payments and the timing of MTOA payments contributed to the State Operating Funds annual growth.

Monthly Cash Flow Forecast (2008-09)

In 2008-09, the General Fund is projected to have quarterly-ending balances of $5.3 billion in September 2008, $605 million in December 2008 (the lowest projected month-end cash flow balance), and $1.8 billion at the end of March 2009.

State Operating Funds quarterly-ending balances are expected to be $8.1 billion in September 2008, $3.1 billion in December 2008, and $4.6 billion at the end of March 2009.

The monthly cash flow projections assume successful implementation of FMP savings beginning in October 2008. Specifically, the 2008-09 General Fund monthly cash estimates include NPS savings of $70 million and PS savings of $105 million in the third quarter of the fiscal year with the remaining reductions assumed in the final three months of the fiscal year.

DOB’s revised detailed monthly cash flow projections for 2008-09 are set forth in the Financial Plan Tables.

Economic Forecast

National Economy

Household spending was stronger during the first half of 2008 than anticipated in the Enacted Budget forecast released in April. Recent data indicates that the Federal government rebate program had a stronger impact during the second quarter than expected, while revised income data indicate that households also had more money to spend from that source. However, a number of developments indicate growth will weaken once the rebate stimulus is withdrawn. As a result, real U.S. GDP growth has been revised upward to 1.6 percent for 2008, while growth of only 1.4 percent is currently projected for 2009.

The financial market crisis has lasted longer than originally expected. Moreover, the turmoil of the large government-sponsored financial entities, Fannie Mae and Freddie Mac, indicates that the crisis is not yet near resolution. Consequently, tight credit market conditions will continue to be a drag on economic growth for a prolonged period. In a related development, with housing starts still deteriorating and home foreclosures still rising, the housing market contraction is now expected to last well into 2009. In addition, this weakness has spread to the commercial real estate market, threatening the health of smaller regional banks and putting further pressure on credit markets.

Commodity prices have climbed even higher than expected in the Enacted Budget forecast. Although oil prices have been volatile, they remain persistently close to historic high levels. Consequently, DOB has revised projected inflation, as measured by growth in the CPI, to 4.3 percent for 2008, followed by 3.3 percent for 2009. Persistently high prices also threaten to raise inflation expectations, increasing the likelihood that the Federal Reserve will raise interest rates sooner rather than later. DOB now expects the central bank to increase its short-term interest rate target by early 2009.

The most recent international data suggests more of a global slowdown than anticipated in April. Slower growth in the nation's trading partners, such as Japan, U.K., Germany, and Spain, implies less demand for U.S. goods and services abroad, despite the weak value of the dollar. As a result, projected growth in real U.S. exports has been revised down for both 2008 and 2009. The weakening of this critical growth engine, along with the developments described above, is expected to result in a weaker labor market than reflected in the Enacted Budget forecast. Growth in non-farm employment of only 0.3 percent is now projected for 2009, following no growth in 2008.

There is considerable risk to DOB’s outlook for the national economy. As indicated above, household spending is under pressure from several sources. Consequently, as the impact of the stimulus from the Federal rebate program recedes, real consumer spending could be even weaker than anticipated. The housing market contraction could become more severe and last longer than expected due to tight credit markets and rising foreclosures. In addition, high food and energy prices, which act as a tax on households, could reduce real spending growth even further. Weak equity markets, along with falling home prices, could also reduce spending growth by more than expected through a reverse wealth effect. Greater job losses would also reduce spending growth. Finally, a weak global economy could also depress economic growth by more than projected.

U.S. Economic Indicators (percent change from prior calendar year)			
	2007 **(Actual)**	**2008** **(Forecast)**	**2009** **(Forecast)**
Real U.S. Gross Domestic Product	2.2	1.6	1.4
Consumer Price Index (CPI)	2.9	4.3	3.3
Personal Income	6.2	4.6	3.7
Nonagricultural Employment	1.1	0.0	0.3

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

New York State Economy

Equity markets are now in bear market territory, having fallen about 20 percent from their October 2007 peaks. In addition, major U.S. financial firm write-downs now exceed $225 billion and are expected to continue through the third quarter, though at a reduced pace. As a result, NYSE-member firm profits, which have fallen by more than $42 billion starting in the third quarter of 2007, will continue to remain weak and the securities industry is expected to continue to shed jobs. State employment is expected to remain flat for 2009, with private sector jobs now projected to fall 0.1 percent, following growth of 0.2 percent for both total and private for 2008. Finance and insurance sector bonuses are now projected to fall 20.5 percent for the coming 2008-09 season. Weaker growth in employment and bonuses imply slower growth in income as well. Growth in New York State wages has been revised down to 2.0 percent for 2008, followed by projected growth of 1.5 percent for 2009. Growth in total New York personal income for 2009 has been revised down to 1.1 percent.

New York State Economic Indicators (percent change from prior calendar year)			
	2007 **(Actual)**	**2008** **(Forecast)**	**2009** **(Forecast)**
Personal Income	7.9	3.4	1.1
Wages	8.5	2.0	1.5
Nonagricultural Employment	1.5	0.2	0.0

Source: Moody's Economy.com; New York State Department of Labor; DOB staff estimates.

All of the risks to the forecast for the national economy apply to the State forecast as well, although interest rate risk and equity market volatility pose a particularly large degree of uncertainty for New York. If the current financial market crisis is sufficiently prolonged, the impact on State wages and employment could be even more severe. Should the Federal Reserve revert to a tight monetary policy earlier than anticipated, the negative impact would disproportionately affect New York due to the impact on the Finance industry. The national economic slowdown is also affecting New York City's commercial real estate market. Vacancy rates are starting to rise, which could lead to a further weakening of the City's commercial real estate market and a more severe contraction in the State's construction industry in 2009.

All Funds Receipts Projections

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

Updated All Funds Receipts Projections

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

2008-09 All Funds Receipts Overview

Total Receipts (millions of dollars)				
	2007-08 Actual	2008-09 First Quarter	Annual $ Change	Annual % Change
General Fund	53,096	55,156	2,060	3.9%
State Funds	80,372	82,893	2,521	3.1%
All Funds	115,423	118,928	3,505	3.0%

All Funds receipts are projected to total $118.9 billion, an increase of $3.5 billion over 2007-08 results. The total comprises tax receipts ($63.1 billion), Federal grants ($36.0 billion) and miscellaneous receipts ($19.9 billion). The following table summarizes the actual receipts for 2007-08 and the updated projections for 2008-09.

Total Receipts (millions of dollars)							
	2007-08 Actual	2008-09 Estimated	Annual $ Change	Annual % Change	2009-10 Projected	Annual $ Change	Annual % Change
General Fund	**53,096**	**55,156**	**2,060**	**3.9%**	**56,264**	**1,108**	**2.0%**
Taxes	38,395	39,986	1,591	4.1%	41,498	1,512	3.8%
Miscellaneous Receipts	2,460	2,551	91	3.7%	2,531	(20)	-0.8%
Federal Grants	69	41	(28)	-40.6%	0	(41)	-100.0%
Transfers	12,172	12,578	406	3.3%	12,235	(343)	-2.7%
State Funds	**80,372**	**82,893**	**2,521**	**3.1%**	**87,050**	**4,157**	**5.0%**
Taxes	60,871	63,085	2,214	3.6%	65,989	2,904	4.6%
Miscellaneous Receipts	19,432	19,766	334	1.7%	21,060	1,294	6.5%
Federal Grants	69	42	(27)	-39.1%	1	(41)	-97.6%
All Funds	**115,423**	**118,928**	**3,505**	**3.0%**	**124,208**	**5,280**	**4.4%**
Taxes	60,871	63,085	2,214	3.6%	65,989	2,904	4.6%
Miscellaneous Receipts	19,643	19,878	235	1.2%	21,167	1,289	6.5%
Federal Grants	34,909	35,965	1,056	3.0%	37,052	1,087	3.0%

The receipt estimates for the current fiscal year have been revised downward significantly. Current year All Funds tax receipt estimates have been lowered by $819 million since the Enacted Budget. The financial condition of Wall Street firms and banks in general has deteriorated from what was anticipated in the Enacted Budget. This weakness can be traced back to problems in the subprime mortgage market and the associated slowdown in the housing sector. As a result, the revisions to the 2008-09 and outyear fiscal estimates are due primarily to this more pessimistic economic outlook.

Since the release of the Enacted Budget, it has become increasingly apparent that the troubles in the housing market will have a significant negative impact on the New York economy. It is now clear the financial service firms and banks that are critical to revenue performance have and will continue to experience reduced profitability in 2008. History has shown that any disruption to the profitability of Wall Street firms can be expected to have a negative impact on the fiscal condition of the State.

Total All Funds receipts are estimated to reach nearly $119 billion, an increase of $3.5 billion, or 3 percent above 2007-08 results comprised of increases in taxes ($2.2 billion or 3.6 percent), Federal grants ($1.1 billion or 3 percent) and miscellaneous receipts ($235 million or 1.2 percent) described later in this report.

Total State Funds receipts are estimated at nearly $83 billion, an expected increase of $2.5 billion, or 3.1 percent from 2007-08 actual results. State Funds miscellaneous receipts are estimated to increase over $300 million, or 1.7 percent.

Total General Fund receipts are estimated at $55.1 billion, an increase of $2.1 billion, or 3.9 percent from 2007-08 results. General Fund tax receipt growth is estimated at 4.1 percent. General Fund miscellaneous receipts are estimated to increase by 3.7 percent, reflecting actions taken with the 2008-09 Budget, including an estimated increase in abandoned property receipts.

After controlling for the impact of policy changes, base tax revenue growth is estimated at 1.6 percent for fiscal year 2008-09.

Fiscal Year 2009-10 Overview

Total All Funds receipts are expected to reach over $124 billion, an increase of $5.3 billion, or 4.4 percent from 2008-09 estimated receipts. All Funds tax receipts are projected to grow by $2.9 billion or 4.6 percent. All Funds Federal grants are expected to increase by $1.1 billion, or 3 percent. All Funds miscellaneous receipts are projected to increase by $1.3 million, or 6.5 percent.

Total State Funds receipts are projected to be $87 billion, an increase of $4.2 billion, or 5.0 percent from 2008-09 estimated receipts.

Total General Fund receipts are projected to be nearly $56.3 billion, an increase of $1.1 billion, or 2.0 percent from 2008-09 estimated receipts. General Fund tax receipt growth is projected to increase by 3.8 percent over 2008-09 estimates and General Fund miscellaneous receipts are projected to decrease by 0.8 percent. The decline in General Fund miscellaneous receipts largely reflects the loss of one-time revenues expected in 2008-09.

After controlling for the impact of policy changes, base tax revenue growth of 5.3 percent is projected for fiscal year 2009-10, slightly below historical average growth during an expansion.

Change from Enacted Budget

Change from Enacted Budget Forecast (millions of dollars)								
	2008-09 Enacted Budget	2008-09 First Quarter	$ Change	% Change	2009-10 Enacted Budget	2009-10 First Quarter	$ Change	% Change
General Fund*	**43,156**	**42,578**	**(578)**	**(1.3)**	**44,794**	**44,029**	**(765)**	**-1.7%**
Taxes	40,610	39,986	(624)	(1.5)	42,324	41,498	(826)	-2.0%
Miscellaneous Receipts	2,505	2,551	46	1.8	2,470	2,531	61	2.5%
Federal Grants	41	41	0	0.0	0	0	0	0.0%
State Funds	**83,910**	**82,893**	**(1,017)**	**(1.2)**	**87,944**	**87,050**	**(894)**	**-1.0%**
Taxes	63,904	63,085	(819)	(1.3)	67,088	65,989	(1,099)	-1.6%
Miscellaneous Receipts	19,964	19,766	(198)	(1.0)	20,855	21,060	205	1.0%
Federal Grants	42	42	0	0.0	1	1	0	0.0%
All Funds	**119,944**	**118,928**	**(1,016)**	**(0.8)**	**125,087**	**124,208**	**(879)**	**-0.7%**
Taxes	63,904	63,085	(819)	(1.3)	67,088	65,989	(1,099)	-1.6%
Miscellaneous Receipts	20,084	19,878	(206)	(1.0)	20,965	21,167	202	1.0%
Federal Grants	35,956	35,965	9	0.0	37,034	37,052	18	0.0%

** Excludes Transfers*

Given the more pessimistic economic forecast, All Funds receipts estimates have been revised downward significantly for fiscal year 2008-09. In addition, tax receipts to-date for fiscal year 2008-09 in some revenue categories has fallen below expectations. As a result of these and other factors outlined below, All Funds tax estimates for the year have been revised downward by over $800 million from the Enacted Budget. Miscellaneous receipts have been revised downward by $206 million along with a slight upward revision in Federal grants of $9 million.

The downward revision to General Fund receipts for fiscal year 2008-09 is $578 million, reflecting a decrease of $624 million in tax offset by an increase in miscellaneous receipts of $46 million.

The downward revisions are related to:

- A more negative economic forecast;
- Weaker-than-expected to date business taxes and user taxes and fees collections; and
- A change to VLT forecasts resulting from recent proposals with respect to VLT operations at NYRA facilities, and results to date at currently operating facilities.

Multi-Year Receipts

Total Receipts (millions of dollars)							
	2009-10 Projected	2010-11 Projected	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund	**56,264**	**58,628**	**2,364**	**4.2%**	**61,428**	**2,800**	**4.8%**
Taxes	41,498	43,373	1,875	4.5%	45,744	2,371	5.5%
State Funds	**87,050**	**90,491**	**3,441**	**4.0%**	**94,310**	**3,819**	**4.2%**
Taxes	65,989	69,206	3,217	4.9%	72,783	3,577	5.2%
All Funds	**124,208**	**128,781**	**4,573**	**3.7%**	**134,285**	**5,504**	**4.3%**
Taxes	65,989	69,206	3,217	4.9%	72,783	3,577	5.2%

The economic forecast calls for a recession entailing several quarters of employment losses through early next year and low wage growth of 2 percent and 1.5 percent, respectively, for 2008 and 2009. This lowers the economic base on which the out-year revenue forecast is built. Overall, receipts growth in the three fiscal years following 2009-10 is expected to grow consistently with projected growth in the U.S. and New York economies.

All Funds tax receipts in 2010-11 are projected to reach $69.2 billion, an increase of $3.2 billion, or 4.9 percent from 2009-10 estimates. All Funds tax receipts in 2011-12 are expected to increase by nearly $3.6 billion (5.2 percent) over the prior year. General Fund tax receipts are projected to reach $43.4 billion in 2010-11 and $45.7 billion in 2011-12.

Revenue Risks

- A significant downside risk remains with respect to the performance of financial sector firms. Continued poor performance for Wall Street companies could reduce employment, wages, and related withholding and estimated tax revenues more than expected.
- Real estate markets could deteriorate more rapidly than expected due to the continued credit crunch and Wall Street retrenchment, which could have a significant negative impact on capital gains realizations.
- Taxable sales could be driven down by weaker economic conditions.
- Lower-than-expected business tax collections could reflect greater overall weakness of the New York State economy, in particular in the financial services industry, than was earlier forecasted.
- The estimated values for 2008-09 Enacted Budget law changes represent a substantial portion of estimated receipts. In the current business environment, these changes could result in less severe negative net income versus an increase in taxable income, resulting in less than anticipated revenue gains.
- The real estate transfer tax forecast could be negatively affected as downward trends in the financial services sector (weaker employment and bonuses, stock market decline) continue. The fallout from the subprime mortgage situation will also put pressure on consumer credit availability and may reduce the number of transactions. The decline in real estate prices in some areas of the State is likely to depress collections. The number of high value commercial property sales in New York City is expected to decline from recent years according to NYC OMB.

Personal Income Tax

Personal Income Tax
(millions of dollars)

	2007-08 Actual	2008-09 Estimated	Annual $ Change	Annual % Change	2009-10 Projected	Annual $ Change	Annual % Change
General Fund*	**22,759**	**23,938**	**1,179**	**5.2%**	**24,440**	**502**	**2.1%**
Gross Collections	43,170	45,388	2,218	5.1%	46,846	1,458	3.2%
Refunds/Offsets	(6,606)	(7,214)	(608)	9.2%	(7,082)	132	-1.8%
STAR	(4,664)	(4,693)	(29)	0.6%	(5,383)	(690)	14.7%
RBTF	(9,141)	(9,543)	(402)	4.4%	(9,941)	(398)	4.2%
State/All Funds	**36,564**	**38,174**	**1,610**	**4.4%**	**39,764**	**1,590**	**4.2%**
Gross Collections	43,170	45,388	2,218	5.1%	46,846	1,458	3.2%
Refunds	(6,606)	(7,214)	(608)	9.2%	(7,082)	132	-1.8%

** Excludes Transfers*

All Funds personal income tax receipts for 2008-09 are projected to increase by $1.6 billion over the prior year to total $38.2 billion. Gross receipts are projected to increase 5.1 percent, despite withholding growth of just 0.6 percent ($161 million) and a decline in current tax year 2008 estimated taxes of 3.7 percent ($165 million). The growth is virtually all attributable to payments from extensions and final returns for tax year 2007, which are projected to increase in total by 43 percent, or nearly $2.15 billion. Receipts from delinquencies are projected to increase by 2.6 percent, or $24 million, over the prior year.

Refunds are projected to increase by 9.2 percent or $608 million. The increase in refunds is partly attributable to paying an additional $250 million of refunds during the January through March 2009 period, reflecting an increase in the "cap" on such refunds from $1.5 billion to $1.75 billion, offset in part by legislation intended to enable DTF to pay fewer fraudulent refunds.

Net receipts, or gross receipts less refunds and offsets, are projected to grow 4.4 percent. Absent the tax year 2007 components noted above, net receipts would be projected to actually decline by 1.9 percent. The following table summarizes, by component, actual receipts for 2007-08 and forecast amounts through 2011-12.

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

	2007-08 Actual	2008-09 Estimated	2009-10 Projected	2010-11 Projected	2011-12 Projected
Receipts					
Withholding	28,440	28,601	30,868	32,470	34,858
Estimated Payments	11,640	13,252	12,656	13,926	14,630
Current Year	8,592	8,427	9,301	10,151	10,605
Prior Year*	3,048	4,825	3,355	3,775	4,025
Final Returns	2,167	2,588	2,336	2,493	2,659
Current Year	206	207	207	207	207
Prior Year*	1,961	2,381	2,129	2,286	2,452
Delinquent Collections	923	947	986	1,027	1,065
Gross Receipts	**43,170**	**45,388**	**46,846**	**49,916**	**53,212**
Refunds					
Prior Year*	4,286	4,670	4,438	4,788	5,193
Previous Years	341	290	310	330	330
Current Year*	1,500	1,750	1,750	1,750	1,750
State-City Offset*	479	504	584	658	741
Total Refunds	**6,606**	**7,214**	**7,082**	**7,526**	**8,014**
Net Receipts	**36,564**	**38,174**	**39,764**	**42,390**	**45,198**

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

All Funds net personal income tax receipts for 2009-10 of $39.8 billion are projected to increase by $1.6 billion (4.2 percent) over the prior year. Gross receipts are projected to increase 3.2 percent, and reflect withholding growth of 7.9 percent ($2.3 billion), and tax year 2009 estimated tax growth of 10.4 percent ($900 million), reflecting a recovery from the current year recession. Payments from extensions and final returns for tax year 2008 are projected to decline in total by 23.9 percent ($1.7 billion), reflecting the spike in tax year 2007 payments and subsequent weakness in tax year 2008. Receipts from delinquencies are projected to increase by 4.1 percent ($39 million). Refunds are projected to decrease by 1.8 percent or $132 million, due in large part to the additional $250 million of refunds paid in 2008-09 under the "cap."

Personal Income Tax Calendar Year Liability									
	2004	2005	2006	2007	2008 Est.	2009 Est.	2010 Est.	2011 Est.	2012 Est.
PIT Liability*	25,769	28,484	29,838	34,226	32,785	33,871	36,667	38,187	40,860
% Change	14.8%	10.5%	4.8%	14.7%	-4.2%	3.3%	8.3%	4.1%	7.0%

** PIT surcharge in effect in 2003, 2004, 2005*

General Fund receipts in 2008-09 are expected to be $1.2 billion higher than the prior year, reflecting the All Funds trends noted above, a slight decrease in deposits to the STAR Fund and higher transfers to the RBTF. Deposits to the STAR Fund are estimated to increase by $30 million to $4.7 billion, mainly reflecting the net of higher statutory enhanced amounts under the middle class rebate program, offset by a shift of $250 million in New York City income tax program reimbursements into 2009-10, and 2008-09 Enacted Budget legislation that reduces the cost of both STAR exemptions and the New York City income tax program. Deposits to the RBTF of over $9.5 billion reflect higher All Funds net collections, on which the 25 percent transfer to the Fund is based. Deposits in excess of debt service requirements are transferred back to the General Fund.

General Fund income tax receipts for 2009-10 of $24.4 billion are projected to increase by $502 million or 2.1 percent. Deposits to the STAR Fund, which are projected to increase by $690 million, reflect the second phase of the middle class STAR rebate program, which was delayed one year as a result of 2008-09 Enacted Budget legislation, and the shift of STAR income tax reimbursements to the City.

Personal Income Tax Change From Enacted Budget Forecast (millions of dollars)								
	2008-09 Enacted Budget	2008-09 Updated Financial Plan	$ Change	% Change	2009-10 Enacted Budget	2009-10 Updated Financial Plan	$ Change	% Change
General Fund*	**23,921**	**23,938**	**17**	**0.1%**	**24,816**	**24,440**	**(376)**	**-1.5%**
Gross Collections	45,613	45,388	(225)	-0.5%	47,446	46,846	(600)	-1.3%
Refunds/Offsets	(7,463)	(7,214)	249	-3.3%	(7,182)	(7,082)	100	-1.4%
STAR	(4,693)	(4,693)	0	0.0%	(5,383)	(5,383)	0	0.0%
RBTF	(9,536)	(9,543)	(7)	0.1%	(10,065)	(9,941)	124	-1.2%
State/All Funds	**38,150**	**38,174**	**24**	**0.1%**	**40,264**	**39,764**	**(500)**	**-1.2%**
Gross Collections	45,613	45,388	(225)	-0.5%	47,446	46,846	(600)	-1.3%
Refunds	(7,463)	(7,214)	249	-3.3%	(7,182)	(7,082)	100	-1.4%

** Excludes Transfers*

Compared to the Enacted Budget, 2008-09 All Funds income tax receipts are estimated to be $24 million higher. This reflects the net of higher return and extension settlements for tax year 2007 ($300 million combined) higher estimated payments for tax year 2008 ($150 million combined), and lower refunds and state-city offsets on tax year 2007 ($250 million combined), mostly offset by lower withholding ($675 million). The latter reflects a weaker forecast of financial sector bonuses, now expected to decline 21 percent from 2007-08.

All Funds income tax receipts for 2009-10 are estimated at nearly $39.8 billion, or $500 million lower than the Enacted Budget. The decrease reflects an additional expected decline in withholding ($500 million) and weaker than expected estimated payments on tax year 2009 ($100 million), partly offset by lower than expected state-city offsets ($100 million).

Personal Income Tax (millions of dollars)							
	2009-10 Projected	2010-11 Projected	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund*	**24,440**	**25,883**	**1,443**	**5.9%**	**27,703**	**1,820**	**7.0%**
Gross Collections	46,846	49,916	3,070	6.6%	53,212	3,296	6.6%
Refunds/Offsets	(7,082)	(7,526)	(444)	6.3%	(8,014)	(488)	6.5%
STAR	(5,383)	(5,910)	(527)	9.8%	(6,196)	(286)	4.8%
RBTF	(9,941)	(10,597)	(656)	6.6%	(11,299)	(702)	6.6%
State/All Funds	**39,764**	**42,390**	**2,626**	**6.6%**	**45,198**	**2,808**	**6.6%**
Gross Collections	46,846	49,916	3,070	6.6%	53,212	3,296	6.6%
Refunds	(7,082)	(7,526)	(444)	6.3%	(8,014)	(488)	6.5%

** Excludes Transfers*

In general, income tax growth for 2010-11 and 2011-12 is governed by projections of growth in expected liability which is dependent on growth in the major components of taxable income. These components include: wages, interest and dividend earnings, realized taxable capital gains, business net income, income derived from partnerships and S corporations, and to a minor extent, the impact of Tax Law changes.

All Funds personal income tax receipts for 2010-11 of $42.4 billion reflect an increase of 6.6 percent or $2.6 billion above the estimate for 2009-10. Gross receipts are projected to increase 6.6 percent and reflect projected withholding growth of 5.2 percent ($1.6 billion) while estimated taxes for tax year 2010 are expected to grow $850 million (9.1 percent). Payments from extensions and final returns for tax year 2009 are projected to increase in total by 10.5 percent, or by $577 million, and receipts from delinquencies are projected to increase by 4.2 percent, or $41 million over the prior year. Refunds are projected to increase by 6.3 percent or $444 million, an average growth rate that absent unusual developments is generally similar to withholding growth.

General Fund 2010-11 income tax receipts are projected to reach $25.9 billion, 5.9 percent higher than the prior year. This reflects the All Funds trends noted above, a $526 million (9.8 percent) increase in the STAR Fund transfer, mainly attributable to the third and final phase of the middle class STAR rebate program, and an increase in RBTF deposits of $657 million.

All Funds income tax receipts for 2011-12 are expected to reach $45.2 billion, reflecting moderate overall growth in the tax base of 6.6 percent. General Fund receipts are projected at $27.7 billion, reflecting normal growth in STAR and RBTF deposits.

User Taxes and Fees

User Taxes and Fees (millions of dollars)	2007-08 Actual	2008-09 Estimated	Annual $ Change	Annual % Change	2009-10 Projected	Annual $ Change	Annual % Change
General Fund*	**8,555**	**8,803**	**248**	**2.9%**	**9,150**	**347**	**3.9%**
Sales Tax	7,945	8,108	163	2.1%	8,422	314	3.9%
Cigarette and Tobacco Taxes	409	425	16	3.9%	425	0	0.0%
Motor Vehicle Fees	(51)	13	64	125.5%	37	24	184.6%
Alcoholic Beverage Taxes	205	209	4	2.0%	214	5	2.4%
ABC License Fees	47	48	1	2.1%	52	4	8.3%
State/All Funds	**13,993**	**14,633**	**640**	**4.6%**	**15,150**	**517**	**3.5%**
Sales Tax	11,296	11,554	258	2.3%	11,993	439	3.8%
Cigarette and Tobacco Taxes	977	1,292	315	32.2%	1,326	34	2.6%
Motor Fuel	525	530	5	1.0%	536	6	1.1%
Motor Vehicle Fees	748	800	52	7.0%	827	27	3.4%
Highway Use Tax	148	152	4	2.7%	153	1	0.7%
Alcoholic Beverage Taxes	205	209	4	2.0%	214	5	2.4%
ABC License Fees	47	48	1	2.1%	52	4	8.3%
Auto Rental Tax	47	48	1	2.1%	49	1	2.1%

** Excludes Transfers*

All Funds user taxes and fees receipts for 2008-09 are estimated to be $14.6 billion, an increase of $640 million or 4.6 percent from 2007-08. The underlying sales tax base measured before the impact of law changes is estimated to increase by 2.2 percent (rather than the 2.8 percent which was projected in the Enacted Budget) due largely to a small increase in disposable income and overall taxable consumption. Non-sales tax user taxes and fees are estimated to increase by $382 million from 2007-08 due to an increase in the cigarette tax rate as well as the introduction of a new driver's license. The total is also affected by the collection of taxes on the sale of motor fuel and cigarettes to non-Indians on Indian reservations.

General Fund user taxes and fees receipts are expected to total $8.8 billion in 2008-09, an increase of $248 million or 2.9 percent from 2007-08. The growth largely reflects an increase in sales and cigarette tax receipts. All Funds user taxes and fees receipts for 2009-10 are projected to be nearly $15.2 billion, an increase of $517 million or 3.5 percent from 2008-09. General Fund user taxes and fees receipts are projected to total $9.2 billion in 2009-10, an increase of $347 million or 3.9 percent from 2008-09.

User Taxes and Fees Change From Enacted Budget Forecast (millions of dollars)	2008-09 Enacted Budget	2008-09 Updated Financial Plan	$ Change	% Change	2009-10 Enacted Budget	2009-10 Updated Financial Plan	$ Change	% Change
General Fund*	**8,937**	**8,803**	**(134)**	**-1.5%**	**9,258**	**9,150**	**(108)**	**-1.2%**
Sales Tax	8,186	8,108	(78)	-1.0%	8,481	8,422	(59)	-0.7%
Cigarette and Tobacco Taxes	433	425	(8)	-1.8%	430	425	(5)	-1.2%
Motor Vehicle Fees	61	13	(48)	-78.7%	81	37	(44)	-54.3%
Alcoholic Beverage Taxes	209	209	0	0.0%	214	214	0	0.0%
ABC License Fees	48	48	0	0.0%	52	52	0	0.0%
State/All Funds	**14,820**	**14,633**	**(187)**	**-1.3%**	**15,298**	**15,150**	**(148)**	**-1.0%**
Sales Tax	11,655	11,554	(101)	-0.9%	12,076	11,993	(83)	-0.7%
Cigarette and Tobacco Taxes	1,322	1,292	(30)	-2.3%	1,343	1,326	(17)	-1.3%
Motor Fuel	535	530	(5)	-0.9%	538	536	(2)	0.0%
Motor Vehicle Fees	848	800	(48)	-5.7%	870	827	(43)	-4.9%
Highway Use Tax	155	152	(3)	-1.9%	155	153	(2)	-1.3%
Alcoholic Beverage Taxes	209	209	0	0.0%	214	214	0	0.0%
ABC License Fees	48	48	0	0.0%	52	52	0	0.0%
Auto Rental Tax	48	48	0	0.0%	50	49	(1)	-2.0%

** Excludes Transfers*

All Funds user taxes and fees are projected to be $187 million less in 2008-09 than was projected in the Enacted Budget. The revision is mainly due to delays in the implementation of provisions governing the taxation of various products sold by Native Americans, weaker sales tax collections than estimated and an adjustment to motor vehicle fees. All Funds user taxes and fees for 2009-10 are revised down by $148 million from the Enacted Budget. This is largely due to the slower growth than previously anticipated in the sales tax base as well as an adjustment to certain motor vehicle fees. In addition, the expected gain in receipts from provisions related to products sold by Native Americans has been revised downward.

User Taxes and Fees
(millions of dollars)

	2009-10 Projected	2010-11 Projected	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund*	**9,150**	**9,448**	**298**	**3.3%**	**9,804**	**356**	**3.8%**
Sales Tax	8,422	8,722	300	3.6%	9,059	337	3.9%
Cigarette and Tobacco Taxes	425	421	(4)	-0.9%	420	(1)	-0.2%
Motor Vehicle Fees	37	38	1	2.7%	49	11	28.9%
Alcoholic Beverage Taxes	214	219	5	2.3%	223	4	1.8%
ABC License Fees	52	48	(4)	-7.7%	53	5	10.4%
State/All Funds	**15,150**	**15,562**	**412**	**2.7%**	**16,072**	**510**	**3.3%**
Sales Tax	11,993	12,418	425	3.5%	12,896	478	3.8%
Cigarette and Tobacco Taxes	1,326	1,310	(16)	-1.2%	1,307	(3)	-0.2%
Motor Fuel	536	539	3	0.6%	542	3	0.6%
Motor Vehicle Fees	827	821	(6)	-0.7%	837	16	1.9%
Highway Use Tax	153	156	3	2.0%	162	6	3.8%
Alcoholic Beverage Taxes	214	219	5	2.3%	223	4	1.8%
ABC License Fees	52	48	(4)	-7.7%	53	5	10.4%
Auto Rental Tax	49	51	2	4.1%	52	1	2.0%

** Excludes Transfers*

All Funds user taxes and fees in 2010-11 are projected to grow an additional $412 million, with further growth of $510 million in 2011-12. Ongoing growth is due to continued, but slower economic growth; the out-year economic forecast dictates a slight reduction in the growth rate of the ongoing sales tax base compared to the Enacted Budget.

Business Taxes

Business Taxes
(millions of dollars)

	2007-08 Actual	2008-09 Estimated	Annual $ Change	Annual % Change	2009-10 Projected	Annual $ Change	Annual % Change
General Fund	**6,017**	**6,049**	**32**	**0.5%**	**6,583**	**534**	**8.8%**
Corporate Franchise Tax	3,446	3,536	90	2.6%	4,063	527	14.9%
Corporation & Utilities Tax	603	613	10	1.7%	623	10	1.6%
Insurance Tax	1,088	1,171	83	7.6%	1,197	26	2.2%
Bank Tax	880	729	(151)	-17.2%	700	(29)	-4.0%
State/All Funds	**8,232**	**8,152**	**(80)**	**-1.0%**	**8,785**	**633**	**7.8%**
Corporate Franchise Tax	3,997	4,041	44	1.1%	4,643	602	14.9%
Corporation & Utilities Tax	802	799	(3)	-0.4%	810	11	1.4%
Insurance Tax	1,219	1,300	81	6.6%	1,323	23	1.8%
Bank Tax	1,058	851	(207)	-19.6%	809	(42)	-4.9%
Petroleum Business Tax	1,156	1,161	5	0.4%	1,200	39	3.4%

All Funds business tax receipts for 2008-09 are estimated at nearly $8.2 billion, a decrease of $79 million, or 0.9 percent over the prior year. This decrease is primarily due to a 19.6 percent decline in bank tax collections, mostly offset by modest increases in each of the other business taxes. Bank tax receipts reflect $248 million in new receipts from tax actions and efforts to enhance audit recoveries, more than offset by a 19 percent decrease in payments on current year liabilities and an 11 percent increase in refunds. The estimated increase in petroleum business taxes reflects a 1.2 percent decrease in the PPI on January 1, 2008, and a 1.5 percent increase in the PPI on January 1, 2009. Higher estimated insurance tax receipts in 2008-09 reflect continued growth in taxable premiums. Actions taken with the fiscal year 2008-09 budget to reduce corporate tax loopholes have to date not generated the revenue anticipated. Given the apparent substantial losses experienced by taxpayers, this could be due in part to tax loophole closers producing reductions in losses versus increases in taxable income. In addition, timing delays in taxpayer responsiveness to the law changes may be resulting in a corresponding delay in receipts. The DTF is carefully reviewing filing data to monitor this issue.

The decline in 2008-09 All Funds bank tax receipts over 2007-08 is mostly offset by increases in the All Funds receipts from the corporation franchise tax of 0.7 percent, insurance tax of 6.6 percent, and the corporation and utilities taxes of 1.7 percent. The small increase in corporate franchise tax receipts reflects an increase in audit and compliance receipts of roughly 5 percent, and the estimated impact of Enacted Budget actions, offset by increased refunds on prior year payments. The overall increase in corporation and utilities taxes receipts reflects growth of 1.0 percent in non-audit receipts and a decline of 31 percent in audit receipts from 2007-08 levels. Year-to-date trends in the corporation and utilities taxes suggest small decreases in audit receipts will be offset by small increases in receipts from the telecommunications and public utilities industries.

All Funds Business Tax Audit and Non-Audit Receipts
(Excluding PBT)
(millions of dollars)

	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Actual	2008-09 Estimated
Corporate Franchise Tax	**2,110**	**3,053**	**4,228**	**3,997**	**4,041**
Audit	397	653	1,133	1,189	1,148
Non-Audit	1,713	2,400	3,095	2,808	2,893
Corporation and Utilities Taxes	**827**	**832**	**820**	**802**	**799**
Audit	43	101	59	35	24
Non-Audit	784	731	761	767	775
Insurance Taxes	**1,108**	**1,083**	**1,258**	**1,219**	**1,300**
Audit	32	33	56	34	43
Non-Audit	1,076	1,050	1,202	1,185	1,257
Bank Taxes	**675**	**975**	**1,210**	**1,058**	**851**
Audit	24	330	299	104	172
Non-Audit	651	645	911	954	679
Total Business Taxes	**4,720**	**5,943**	**7,516**	**7,076**	**6,991**
Audit	496	1,117	1,547	1,362	1,387
Non-Audit	4,224	4,826	5,969	5,714	5,604

For total business taxes, a 1.9 percent decline in non-audit tax receipts follows last years decrease of 4.3 percent. In both fiscal years, estimated increases in receipts resulting from legislative changes to the tax code were more than offset by declines in the underlying tax base. The 1.8 percent increase in audit receipts is largely attributable to initiatives included in the 2008-09 Enacted Budget, offset by fewer expected settlements of multi-year audit issues with large taxpayers than were made in 2007-08. The business taxes audit recovery base in 2007-08 of nearly $1.4 billion reflected a 12.0 percent decrease from 2006-07.

All Funds business tax receipts for 2009-10 of nearly $8.8 billion are projected to increase by $633 million or 7.8 percent over the prior year. The overall increase primarily reflects a strong rebound in corporate franchise tax receipts that commonly follows a recession. This rebound is anticipated to result from a return to corporate profits growth and the exhaustion of carry-forwards in 2008-09. In total, the remaining business taxes are expected to essentially equal 2008-09 levels.

General Fund business tax receipts for 2008-09 of $6.0 billion are estimated to increase by $32 million, or 0.5 percent over 2007-08, reflecting the All Funds trends and Enacted Budget initiatives discussed above.

General Fund business tax receipts for 2009-10 of $6.6 billion are projected to increase $534 million, or 8.8 percent from the prior year, reflecting the All Funds trends discussed above.

Business Taxes Change From Enacted Budget Forecast
(millions of dollars)

	2008-09 Enacted Budget	2008-09 Updated Financial Plan	$ Change	% Change	2009-10 Enacted Budget	2009-10 Updated Financial Plan	$ Change	% Change
General Fund	**6,559**	**6,049**	**(510)**	**-7.8%**	**6,925**	**6,583**	**(342)**	**-4.9%**
Corporate Franchise Tax	3,706	3,536	(170)	-4.6%	4,240	4,063	(177)	-4.2%
Corporation & Utilities Tax	613	613	0	0.0%	623	623	0	0.0%
Insurance Tax	1,171	1,171	0	0.0%	1,197	1,197	0	0.0%
Bank Tax	1,069	729	(340)	-31.8%	865	700	(165)	-19.1%
State/All Funds	**8,782**	**8,152**	**(630)**	**-7.2%**	**9,215**	**8,785**	**(430)**	**-4.7%**
Corporate Franchise Tax	4,220	4,041	(179)	-4.2%	4,830	4,643	(187)	-3.9%
Corporation & Utilities Tax	816	799	(17)	-2.1%	827	810	(17)	-2.1%
Insurance Tax	1,300	1,300	0	0.0%	1,323	1,323	0	0.0%
Bank Tax	1,242	851	(391)	-31.5%	998	809	(189)	-18.9%
Petroleum Business Tax	1,204	1,161	(43)	-3.6%	1,237	1,200	(37)	-3.0%

Compared to the Enacted Budget, 2008-09 All Funds business tax receipts are estimated to be nearly $8.2 billion, or $630 million (7.2 percent) lower. The revision in the estimate reflects year-to-date receipts which now suggest a significant decline in bank tax receipts coupled with slightly lower growth in corporate franchise tax and petroleum business taxes receipts. The largest estimated change is in bank tax receipts, which have been reduced by $391 million from the Enacted Budget level. The net decrease reflects losses from higher-than-expected refunds and adjustments to prior-year receipts, and a roughly 40 percent decline in June 2008 estimated payments from the prior year. The corporation franchise tax estimate reduction of $179 million also reflects higher-than expected refunds and prior-year adjustments, as well as a modest decrease in June estimated payments. The petroleum business tax estimates reduction of $43 million reflects a decline of roughly $25 million in first quarter estimated payments and an estimated decline in overall motor fuel consumption.

All Funds business tax receipts for 2009-10 are nearly $8.8 billion, or $430 million (4.7 percent) lower than the Enacted Budget. The decrease reflects the year to date results and the weaker economic forecast noted above.

Business Taxes
(millions of dollars)

	2009-10 Projected	2010-11 Projected	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund	**6,583**	**6,634**	**51**	**0.8%**	**6,739**	**105**	**1.6%**
Corporate Franchise Tax	4,063	3,974	(89)	-2.2%	4,059	85	2.1%
Corporation & Utilities Tax	623	632	9	1.4%	636	4	0.6%
Insurance Tax	1,197	1,236	39	3.3%	1,280	44	3.6%
Bank Tax	700	792	92	13.1%	764	(28)	-3.5%
State/All Funds	**8,785**	**8,843**	**58**	**0.7%**	**8,968**	**125**	**1.4%**
Corporate Franchise Tax	4,643	4,538	(105)	-2.3%	4,636	98	2.2%
Corporation & Utilities Tax	810	820	10	1.2%	825	5	0.6%
Insurance Tax	1,323	1,365	42	3.2%	1,414	49	3.6%
Bank Tax	809	915	106	13.1%	883	(32)	-3.5%
Petroleum Business Tax	1,200	1,205	5	0.4%	1,210	5	0.4%

All Funds business tax receipts for 2010-11 and 2011-12 reflect trend growth that is determined in part by the expected level of corporate profits, the increase in taxable insurance premiums, and increases in electric utility consumption prices and the consumption of telecommunications services. Business tax receipts will increase to $8.8 billion (0.7 percent) in 2010-11 and $9 billion (1.4 percent) in 2011-12. General Fund business tax receipts will reflect the factors outlined above. General Fund business tax receipts over this period will increase to more than $6.6 billion (0.8 percent) in 2010-11 and over $6.7 billion (1.6 percent) in 2011-12.

Other Taxes

Other Taxes
(millions of dollars)

	2007-08 Actual	2008-09 Estimated	Annual $ Change	Annual % Change	2009-10 Projected	Annual $ Change	Annual % Change
General Fund*	**1,063**	**1,196**	**133**	**12.5%**	**1,325**	**129**	**10.8%**
Estate Tax	1,037	1,170	133	12.8%	1,301	131	11.2%
Gift Tax	1	2	1	100.0%	0	(2)	0.0%
Real Property Gains Tax	1	0	(1)	-100.0%	0	0	0.0%
Pari-Mutuel Taxes	23	23	0	0.0%	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State/All Funds	**2,084**	**2,126**	**42**	**2.0%**	**2,290**	**164**	**7.7%**
Estate Tax	1,037	1,170	133	12.8%	1,301	131	11.2%
Gift Tax	1	2	1	100.0%	0	(2)	0.0%
Real Property Gains Tax	1	0	(1)	-100.0%	0	0	0.0%
Real Estate Transfer Tax	1,021	930	(91)	-8.9%	965	35	3.8%
Pari-Mutuel Taxes	23	23	0	0.0%	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

** Excludes Transfers*

All Funds other tax receipts for 2008-09 are estimated to be more than $2.1 billion, up $42 million or 2.1 percent from 2007-08 receipts, reflecting growth in the estate tax due to an increase in the number of large payment and a nearly 9 percent decline in real estate transfer tax collections which had a strong advance in recent fiscal years. General Fund other tax receipts are expected to total $1.2 billion in fiscal year 2008-09, an increase of $133 million or 12.5 percent.

All Funds other tax receipts for 2009-10 are projected to be nearly $2.3 billion, up $164 millions or 7.7 percent from 2008-09 reflecting marginal growth in real estate transfer tax collections and an increase in estate collections from moderate improvement in household net worth levels and continued growth in the number of estate tax payments. General Fund other tax receipts are expected to total $1.3 billion in fiscal year 2009-10, an increase of $129 million which is attributable to growth in the estate tax.

Other Taxes Change From Enacted Budget Forecast
(millions of dollars)

	2008-09 Enacted Budget	2008-09 Updated Financial Plan	$ Change	% Change	2009-10 Enacted Budget	2009-10 Updated Financial Plan	$ Change	% Change
General Fund*	**1,194**	**1,196**	**2**	**0.2%**	**1,325**	**1,325**	**0**	**0.0%**
Estate Tax	1,170	1,170	0	0.0%	1,301	1,301	0	0.0%
Gift Tax	0	2	2	0.0%	0	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0	0.0%
Pari-Mutuel Taxes	23	23	0	0.0%	23	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	1	0	0.0%
State/All Funds	**2,151**	**2,126**	**(25)**	**-1.2%**	**2,311**	**2,290**	**(21)**	**-0.9%**
Estate Tax	1,170	1,170	0	0.0%	1,301	1,301	0	0.0%
Gift Tax	0	2	2	0.0%	0	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0	0.0%
Real Estate Transfer Tax	957	930	(27)	-2.8%	986	965	(21)	-2.1%
Pari-Mutuel Taxes	23	23	0	0.0%	23	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	1	0	0.0%

** Excludes Transfers*

Other tax receipts projections for 2008-09 for the pari-mutuel tax, gift tax, real property gains tax and boxing/wrestling tax are unchanged from the Enacted Budget. The gift tax and real property gains tax have been repealed but small amounts of revenue are generated through audits. The pari-mutuel tax estimate is unchanged at this time pending the resolution of the numerous industry issues including the awarding of the thoroughbred track franchise.

All Funds projections for 2008-09 and beyond for the real estate transfer tax are slightly reduced from the Enacted Budget forecast. Collections through the first three months of the fiscal year are modestly lower than forecast; however, property transaction and price trends are turning negative in some areas of the State. While the strength in the New York City residential markets continues, the pace of growth is uncertain. Problems in the national housing market will slow overall economic growth which will continue to impact the financial services sector. The impact of slowing corporate profits or lower bonus payments could eventually be felt in real estate transfer tax collections.

Projected estate tax collections are unchanged from the Enacted Budget forecast. Declines in equity and housing values have resulted in slower growth level of payments received from smaller estates. However, this lower growth has been offset by higher average payments from the settlement of large estates (payments over $4 million) during the first quarter of the year. The estimate for estate tax collections in 2009-10 has remained unchanged from the Updated Financial Plan.

Other Taxes
(millions of dollars)

	2009-10 Projected	2010-11 Projected	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund*	**1,325**	**1,408**	**83**	**6.3%**	**1,498**	**90**	**6.4%**
Estate Tax	1,301	1,384	83	6.4%	1,474	90	6.5%
Gift Tax	0	0	0	0.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0.0%
Pari-Mutuel Taxes	23	23	0	0.0%	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State/All Funds	**2,290**	**2,411**	**121**	**5.3%**	**2,545**	**134**	**5.6%**
Estate Tax	1,301	1,384	83	6.4%	1,474	90	6.5%
Gift Tax	0	0	0	0.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0.0%
Real Estate Transfer Tax	965	1,003	38	3.9%	1,047	44	4.4%
Pari-Mutuel Taxes	23	23	0	0.0%	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

* *Excludes Transfers*

The 2010-11 All Funds receipts projection for other taxes is slightly more than $2.4 billion, up $121 million or 5.3 percent from 2009-10 receipts. Growth in the estate tax is projected to follow expected increases in household net worth and receipts from the real estimate transfer tax continue to reflect the slowdown and then stabilization in the residential and commercial markets.

The 2011-12 All Funds receipts projection for other taxes more than $2.5 billion, up $133 million or 5.5 percent from 2010-11 receipts. The forecast reflects continued increases in household net worth as well as in the value of real property transfers.

Miscellaneous Receipts and Federal Grants

Miscellaneous Receipts and Federal Grants (millions of dollars)							
	2007-08 Actual	**2008-09 Estimated**	**Annual $ Change**	**Annual % Change**	**2009-10 Projected**	**Annual $ Change**	**Annual % Change**
General Fund	**2,529**	**2,592**	**63**	**2.5%**	**2,531**	**(61)**	**-2.4%**
Miscellaneous Receipts	2,460	2,551	91	3.7%	2,531	(20)	-0.8%
Federal Grants	69	41	(28)	-40.6%	0	(41)	-100.0%
State Funds	**19,501**	**19,808**	**307**	**1.6%**	**21,061**	**1,253**	**6.3%**
Miscellaneous Receipts	19,432	19,766	334	1.7%	21,060	1,294	6.5%
Federal Grants	69	42	(27)	-39.1%	1	(41)	-97.6%
All Funds	**54,551**	**55,843**	**1,292**	**2.4%**	**58,219**	**2,376**	**4.3%**
Miscellaneous Receipts	19,642	19,878	236	1.2%	21,167	1,289	6.5%
Federal Grants	34,909	35,965	1,056	3.0%	37,052	1,087	3.0%

All Funds miscellaneous receipts include moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are estimated to increase by $236 million, or 1.2 percent, largely the result of increased abandoned property receipts in the General Fund, growth in programs financed with authority bond proceeds, including spending for higher education and public protection, and stronger mental health patient income which supports debt service. This growth is moderated by a net decline in Special Revenue Funds receipts generated through cost reimbursement.

Federal grants help pay for State spending on Medicaid, Temporary and Disability Assistance, Mental Hygiene, School Aid, Public Health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically expects that Federal reimbursement will be received in the State fiscal year in which spending occurs, but timing sometimes varies. Federal grants are projected to total nearly $36.0 billion in 2008-09, an increase of over $1.0 billion from 2007-08. Federal spending is expected to increase for public health, temporary and disability assistance, education, mental hygiene, and homeland security.

In 2008-09, General Fund miscellaneous receipts and Federal grants are estimated to increase by 2.6 percent over 2007-08 results, reflecting actions taken with the 2008-09 Budget that include increases in abandoned property revenue.

All Funds miscellaneous receipts are projected to total nearly $21.2 billion in 2009-10, an increase of $1.3 billion from the current year, driven by growth in programs financed with authority bond proceeds ($1.2 billion), including spending for Economic Development, Transportation, SUNY and Mental Health. Federal grants are projected to total nearly $37.1 billion in 2009-10, an increase of $1.1 billion from the current year. Federal spending is expected to increase for Medicaid, including spending for State-operated Mental Hygiene facilities ($1.1 billion) and Elections ($109 million). In most cases, the grant levels reflect projected changes in State spending levels and a corresponding change in estimated Federal reimbursement, not changes in aid levels for New York authorized by Congress.

In 2009-10, General Fund miscellaneous receipts and Federal grants collections are projected to be over $2.5 billion, down $61 million from 2008-09. This decrease mainly results from the loss of one-time SONYMA receipts and other one-time revenues, partially offset by an increase in licenses and fees.

Miscellaneous Receipts and Federal Grants: Change From Enacted Budget Forecast (millions of dollars)								
	2008-09 Enacted Budget	2008-09 Updated Financial Plan	$ Change	% Change	2009-10 Enacted Budget	2009-10 Updated Financial Plan	$ Change	% Change
General Fund	**2,546**	**2,592**	**46**	**1.8%**	**2,470**	**2,531**	**61**	**2.5%**
Miscellaneous Receipts	2,505	2,551	46	1.8%	2,470	2,531	61	2.5%
Federal Grants	41	41	0	0.0%	0	0	0	0.0%
State Funds	**20,006**	**19,808**	**(198)**	**-1.0%**	**20,856**	**21,061**	**205**	**1.0%**
Miscellaneous Receipts	19,964	19,766	(198)	-1.0%	20,855	21,060	205	1.0%
Federal Grants	42	42	0	0.0%	1	1	0	0.0%
All Funds	**56,040**	**55,843**	**(197)**	**-0.4%**	**57,999**	**58,219**	**220**	**0.4%**
Miscellaneous Receipts	20,084	19,878	(206)	-1.0%	20,965	21,167	202	1.0%
Federal Grants	35,956	35,965	9	0.0%	37,034	37,052	18	0.0%

All Funds miscellaneous receipts and Federal grants in 2008-09 have been revised downward by $197 million from the Enacted Budget, driven primarily by the General Fund revisions described above, augmented by and VLT revenues based on experience to date, partially offset by upward revisions in SUNY tuition revenue based on the university's approved FMP.

Miscellaneous Receipts and Federal Grants (millions of dollars)							
	2009-10 Projected	2010-11 Projected	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund	**2,531**	**2,531**	**0**	**0.0%**	**2,294**	**(237)**	**-9.4%**
Miscellaneous Receipts	2,531	2,531	0	0.0%	2,294	(237)	-9.4%
Federal Grants	0	0	0	0.0%	0	0	0.0%
State Funds	**21,061**	**21,285**	**224**	**1.1%**	**21,527**	**242**	**1.1%**
Miscellaneous Receipts	21,060	21,284	224	1.1%	21,526	242	1.1%
Federal Grants	1	1	0	0.0%	1	0	0.0%
All Funds	**58,219**	**59,575**	**1,356**	**2.3%**	**61,502**	**1,927**	**3.2%**
Miscellaneous Receipts	21,167	21,391	224	1.1%	21,633	242	1.1%
Federal Grants	37,052	38,184	1,132	3.1%	39,869	1,685	4.4%

General Fund miscellaneous receipts and Federal grants for 2008-09 have been revised upward by $46 million from the Enacted Budget, reflecting in part additional revenues expected from the Medicare Part D subsidy, better-than-expected licenses and fees revenues, which were partially offset by lower-than-expected investment income receipts.

All Funds miscellaneous receipts and Federal grants for 2010-11 are projected to be nearly $60 billion, up nearly $1.4 billion from 2009-10 driven by expected lottery receipts growth and growth in Federal Medicaid spending. General Fund miscellaneous receipts and Federal grants collections for 2010-11 are projected to be over $2.5 billion, unchanged from the previous year.

All Funds miscellaneous receipts for 2011-12 are projected to be nearly $62 billion, up $1.9 billion from the prior year driven by expected lottery receipts growth and growth in Federal Medicaid spending. General Fund miscellaneous receipts and Federal grants for 2011-12 are projected to be almost $2.3 billion, down $237 million from 2010-11. This decrease is due to the loss of several one-time payments.

Non-Tax General Fund Transfers from Other Funds

General Fund Transfers From Other Funds
Annual Change
(millions of dollars)

	2008-09	2009-10	Annual Change	2010-11	Annual Change	2011-12	Annual Change
Total Transfers From Other Funds	1,077	532	(545)	527	(5)	567	40
Environmental Protection	200	45	(155)	45	0	45	0
Sweep of Excess Fund Balances	280	50	(230)	50	0	50	0
Quality Child Care and Protection	126	110	(16)	109	(1)	118	9
Tribal State Compact Revenue	97	112	15	118	6	148	30
Elderly Pharmaceutical Insurance Coverage	70	0	(70)	0	0	0	0
Business Licensing Services	61	50	(11)	50	0	50	0
Federal Health and Human Services	39	39	0	39	0	39	0
Hazardous Waste Remedial	32	27	(5)	27	0	27	0
Revenue Arrearage Account	15	15	0	15	0	15	0
DMV - Compulsory Insurance	34	12	(22)	12	0	12	0
All Other	123	72	(51)	62	(10)	63	1

All other transfers to the General Fund from other State Funds are expected to decline in 2009-10 from 2008-09 levels primarily as a result of non-recurring fund sweeps from several special revenue accounts and the Environmental Protection Fund that were included in the 2008-09 Enacted Budget projections

In addition to changes made during the end of the regular legislative session, the spending forecasts for each of the State's major programs and activities have been updated since the Enacted Budget as more information has become available. Most of the changes are modest and include the General Fund revisions explained in detail earlier in this update.

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

Total Disbursements*
(millions of dollars)

	2007-08 Actuals	2008-09 Enacted	2008-09 Current	Annual $ Change	Annual % Change	$ Change from Enacted Plan
State Operating Funds	77,003	80,862	80,506	3,503	4.5%	(356)
General Fund **	50,613	50,811	50,512	(101)	-0.2%	(299)
Other State Funds	22,254	25,338	25,296	3,042	13.7%	(42)
Debt Services Funds	4,136	4,713	4,698	562	13.6%	(15)
All Governmental Funds	116,058	121,606	121,304	5,246	4.5%	(302)
State Operating Funds	77,003	80,862	80,506	3,503	4.5%	(356)
Capital Projects Funds	6,131	7,080	6,978	847	13.8%	(102)
Federal Operating Funds	32,924	33,664	33,820	896	2.7%	156
General Fund, including Transfers	**53,387**	**56,361**	**56,157**	**2,770**	**5.2%**	**(204)**

** Estimates assume successful implementation of FMP. See text.*
*** Excludes transfers.*

Updated All Funds Disbursements Projections

State Funds Operating spending, which includes both the General Fund and spending from other funds supported by assessments, tuition, HCRA resources, and other non-Federal revenues, is projected to total $80.5 billion in 2008-09, a decrease of $356 million from the initial forecast.

State Operating Funds Budget

Revisions to 2008-09 State Funds Operating Forecast
Enacted to First Quarter Estimate — Increases/(Decreases)
(millions of dollars)

	General Fund *	Other State Funds	Total State Operating Funds
2008-09 Enacted	**50,811**	**30,051**	**80,862**
Reestimates	**(118)**	**66**	**(52)**
Education	(30)	0	(30)
Medicaid	23	(7)	16
Fringe Benefits	(53)	0	(53)
Local Government Assistance	(14)	0	(14)
Federal Patient Income Revenues	(25)	0	(25)
SUNY	0	214	214
Health	0	(144)	(144)
All Other	(19)	3	(16)
Session Changes	**63**	**2**	**65**
Reserve for Pending End of Session Bills	50	0	50
Property Tax Costs of NYRA "Clean-Up" Bill	11	0	11
All Other	2	2	4
Labor Settlements	**256**	**5**	**261**
Fiscal Management Plan	**(500)**	**(130)**	**(630)**
2008-09 First Quarter Estimate	**50,512**	**29,994**	**80,506**
Dollar Change (from Enacted)	*(299)*	*(57)*	*(356)*
Percent Change (from Enacted)	*-0.6%*	*-0.2%*	*-0.4%*

** Excludes transfers.*
*** Estimates assume successful implementation of the FMP. See text.*

In 2008-09, General Fund spending, including transfers to other funds, is projected to total $56.2 billion, a decrease of $204 million from the Enacted Budget forecast.

The State Operating Funds changes since the Enacted Budget mainly reflect the General Fund revisions described earlier. In addition, changes in other State Funds mainly reflect projected decreases in EPIC revenues, as well as corresponding reductions in spending, due to lower-than-anticipated pharmacy rebate collection and enrollment.

These decreases were partially offset by increased special revenue spending in SUNY reflecting the university's approved FMP. Spending from SUNY's special revenue funds is supported by revenues generated through student tuition, student fees, patient income and other dedicated revenue streams.

Capital Budget

Capital spending is projected to total $7 billion in 2008-09, a decrease of $102 million from the Enacted Budget. Projected spending for DOT has been revised upward to recognize spending for contractual salary increases. The remaining revisions are based on more recent information on project development and spending experience across all other programs.

Revisions to 2008-09 Capital Budget Spending Forecast
Enacted to First Quarter Estimate — Increases/(Decreases)
(millions of dollars)

	State Funds	Federal Funds	Total Capital Projects Funds
2008-09 Enacted	**5,109**	**1,971**	**7,080**
Reestimates	**(48)**	**(54)**	**(102)**
SUNY Capital Reestimates	(56)	0	(56)
DOT 072 Salary Draw	20	0	20
DEC Capital Re-estimate: Kings Park	(12)	0	(12)
DOT Federal Capital Reestimates	0	(56)	(56)
All Other	0	2	2
2008-09 First Quarter Estimate	**5,061**	**1,917**	**6,978**
Dollar Change (from Enacted)	*(48)*	*(54)*	*(102)*
Percent Change (from Enacted)	*-0.9%*	*-2.7%*	*-1.4%*

The capital spending projections conform to the reporting of actual results in the State's cash basis of accounting. A comprehensive review of all capital projects spending, including "off-budget" spending, is provided in the Financial Plan tables.

Federal Operating Budget

The Federal Operating Budget spending estimate has increased by $156 million since the Enacted Budget, mainly due to the technical allocation of the Public Employees Federation negotiated salary increase in Federal Funds ($118 million). Other changes include higher cost for health related to a CHP program payment delayed in 2007-08, as well as increased Medicaid spending due to delays in pharmacy cost containment initiatives.

Revisions to 2008-09 Federal Operating Spending Forecast
Enacted to First Quarter Estimate — Increases/(Decreases)
(millions of dollars)

	Federal Operating
2008-09 Enacted	**33,664**
Reestimates	**156**
Salary Allocation	118
Public Health	38
Medicaid	19
All Other	(19)
2008-09 First Quarter Estimate	**33,820**
Dollar Change (from Enacted)	*156*
Percent Change (from Enacted)	*0.5%*

All Funds Annual Spending Change

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

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

	General Fund *	Other State Funds	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	Total All Funds
2007-08 Actuals	**50,613**	**26,390**	**77,003**	**6,131**	**32,924**	**116,058**
School Aid	1,619	135	1,754	0	37	1,791
Medicaid (including admin)	221	251	472	0	276	748
Transportation	8	169	177	319	5	501
Public Health	(27)	84	57	46	195	298
Economic Development	(2)	69	67	267	4	338
Mental Hygiene	(1,097)	1,881	784	43	(561)	266
STAR	0	35	35	0	0	35
Social Services	(174)	12	(162)	(1)	187	24
Higher Education	351	302	653	33	12	698
Other Education Aid	53	0	53	34	62	149
General State Charges	(1,509)	868	(641)	0	655	14
All Other	456	(202)	254	106	24	384
2008-09 July Update	**50,512**	**29,994**	**80,506**	**6,978**	**33,820**	**121,304**
Annual Dollar Change	*(101)*	*3,604*	*3,503*	*847*	*896*	*5,246*
Annual Percent Change	*-0.2%*	*13.7%*	*4.5%*	*13.8%*	*2.7%*	*4.5%*

* *Excludes transfers.*

** *Estimates assume successful implementation of FMP. See text.*

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

Financial Plan Reserves

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

The State projects that General Fund reserves will total $1.8 billion at the end of 2008-09, with $1.2 billion in undesignated reserves available to deal with unforeseen contingencies and $526 million designated for subsequent use.

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

The designated reserves consist of $189 million set aside for labor settlements (after the use of $876 million for existing settlements in 2008-09), $237 million in the Community Projects Fund to finance existing "member-item" initiatives, and $100 million set aside for debt management purposes (after the use of $22 million).

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

GAAP-Basis Financial Plans

The State Budget is required to be balanced on a cash basis, which is DOB's primary focus in preparing and implementing the State Financial Plan. State Finance Law also requires the Financial Plan be presented for informational purposes on a GAAP basis, in accordance with standards and regulations set forth by GASB. Thus, the GAAP projections provided herein are intended to supplement, for informational purposes, the cash-basis Financial Plan. The GAAP-basis plans model the accounting principles applied by the Office of the State Comptroller in preparation of the 2007-08 Financial Statements. Tables comparing the cash basis and GAAP basis General Fund Financial Plans are provided at the end of this Financial Plan.

In 2008-09, the General Fund GAAP Financial Plan shows total revenues of $42.7 billion, total expenditures of $56.2 billion, and net other financing sources of $9.7 billion, resulting in an operating deficit of $3.8 billion and a projected accumulated surplus of $149 million. These changes are due primarily to the use of a portion of prior year reserves to support 2008-09 operations and the impact of economic conditions on revenue accruals, primarily PIT. PIT collections received in the first quarter of 2008-09 were related primarily to prior year estimated payments and final returns (i.e. calendar year ended December 31, 2007) and are therefore recorded in State fiscal year 2007-08 for GAAP purposes. Estimated collections in the first quarter of 2009-10 related to calendar end year 2008 tax returns are expected to decline significantly resulting in lower accrued revenue in 2008-09.

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

The State used an independent actuarial consulting firm to calculate retiree health care liabilities. The analysis calculated the present value of the actuarial accrued total liability for benefits as of March 31, 2008 at $41.4 billion, using the level percentage of projected payroll approach under the Frozen Entry Age actuarial cost method. The actuarial accrued liability was calculated using a 4.155 percent annual discount rate.

This liability was disclosed in the 2007-08 basic GAAP financial statements issued by the State Comptroller in July 2008. While the total liability is substantial, GASB rules indicate it may be amortized over a 30-year period; therefore, only the annual amortized liability above the current PAYGO costs is recognized in the financial statements. The 2007-08 liability totaled $3.1 billion under the Frozen Entry Age actuarial cost method amortized based on a level percent of salary, or roughly $2.1 billion above the current PAYGO retiree costs. This difference between the State's PAYGO costs and the actuarially determined required annual contribution under GASBS 45 reduced the State's currently positive net asset condition at the end of 2007-08 by $2.1 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. Anticipated increases in these costs are reflected in the State's multi-year Financial Plan as detailed below.

History and Forecast of New York State Employee Health Insurance (millions of dollars)			
	Health Insurance Costs		
Year	Active Employees	Retirees	Total State
Actuals:			
2002-03	1,023	634	1,657
2003-04	1,072	729	1,801
2004-05	1,216	838	2,054
2005-06	1,331	884	2,215
2006-07	1,517	914	2,431
2007-08	1,390	1,182	2,572
Forecast:			
2008-09	1,621	1,055	2,676
2009-10	1,802	1,178	2,980
2010-11	1,959	1,284	3,243
2011-12	2,134	1,400	3,534

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

As noted, the current Financial Plan does not assume pre-funding of the GASBS 45 liability. If such liability were pre-funded at this time, the additional cost above the PAYGO amounts would be lowered. The State's Health Insurance Council, which consists of the Governor's Office of Employee Relations, Civil Service, and DOB will continue to review this matter, and seek input from the State Comptroller, the legislative fiscal committees and other outside parties.

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

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Debt/Capital Update

Capital and Debt Summary

The Updated Financial Plan reflects reestimates to spending from capital authorizations provided in the Enacted Budget. These re-estimates are based on first quarter results and more recent program information concerning the anticipated activity levels over the next few fiscal years.

Capital spending is projected to increase by $832 million throughout the five-year plan period. This increase is mostly related to higher education ($803 million), and reflects an updated implementation plan for the critical maintenance and priority educational facility projects included in the Enacted Budget. Transportation re-estimates largely reflect the cost of contractual salary increases for certain DOT and DMV employees, as well as spending reductions reflecting a reduced expectation of projects qualifying for Federal funds under the Maintenance First Initiative. The remaining re-estimates result from more recent information on program activity to date and primarily reflect revisions to spending for projects being advanced by DEC, DOH, DHCR, OTDA, MH, and OMRDD.

All Funds Projected Capital Projects Spending
(millions of dollars)

	2008-09	2009-10	2010-11	2011-12	2012-13
Projected Capital Projects Funds Spending Enacted Budget	**$7,080**	**$8,548**	**$8,285**	**$7,983**	**$7,238**
Total Spending Reestimates	**($102)**	**$4**	**$280**	**$346**	**$307**
Economic Development/Government Oversight	$0	($4)	($1)	($1)	$0
Public Protection	$0	$0	$0	$0	$0
Environment	($16)	($15)	$12	$0	$0
General Government	($3)	$3	$0	$0	$0
Transportation	($35)	($18)	$36	$38	$38
Health and Social Welfare	$0	$0	$5	$11	$7
Higher Education	($48)	$46	$240	$303	$262
Mental Hygiene	$0	($8)	($12)	($5)	$0
Projected Capital Projects Funds Spending First Quarter	**$6,978**	**$8,552**	**$8,565**	**$8,329**	**$7,545**

The following tables summarize the net impact of capital projects spending changes on State debt levels and debt service spending. The increases in debt outstanding, debt issuances and debt service costs detailed below are consistent with the capital spending changes noted in the previous chart.

Projected Debt Outstanding (millions of dollars)	2008-09	2009-10	2010-11	2011-12	2012-13
Enacted Budget State-Related Debt Outstanding	**52,794**	**56,179**	**58,749**	**60,249**	**61,134**
SUNY	(56)	(41)	132	345	524
Housing	12	14	23	31	39
Transportation	(65)	(73)	(78)	(81)	(90)
Mental Health	(87)	(85)	(82)	(79)	(75)
Environment	(17)	(29)	(27)	(26)	(24)
All Other	(59)	(47)	(11)	(2)	8
Subtotal	(272)	(261)	(43)	188	382
1st Quarter Update State-Related Debt Outstanding	**$ 52,522**	**$ 55,918**	**$ 58,706**	**$ 60,437**	**$ 61,516**

Projected Debt Issuances (millions of dollars)	2008-09	2009-10	2010-11	2011-12	2012-13
Enacted Budget State-Related Debt Issuances	**5,986**	**6,491**	**5,901**	**5,547**	**5,143**
SUNY	(57)	13	172	216	184
Housing	9	(1)	4	4	4
Transportation	(65)	(10)	(9)	(10)	(15)
Mental Health	(85)	0	0	0	0
Environment	(17)	(13)	0	0	0
All Other	(54)	7	31	1	0
Subtotal	(269)	(4)	198	211	173
1st Quarter Update State-Related Debt Issuances	**$ 5,717**	**$ 6,487**	**$ 6,099**	**$ 5,758**	**$ 5,316**

Projected Debt Service (millions of dollars)	2008-09	2009-10	2010-11	2011-12	2012-13
Enacted Budget State-Related Debt Service	**5,312**	**5,841**	**6,476**	**6,825**	**7,123**
SUNY	(3)	(3)	6	20	33
Housing	(3)	(3)	(3)	(2)	(2)
Transportation	(9)	(13)	(17)	(12)	3
Mental Health	(10)	(10)	(11)	(9)	0
Environment	0	(1)	(1)	(1)	(1)
All Other	2	21	29	41	52
Subtotal	(23)	(9)	3	37	85
1st Quarter Update State-Related Debt Service	**$ 5,289**	**$ 5,832**	**$ 6,479**	**$ 6,862**	**$ 7,208**

Special Considerations

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

The most significant short-term risks include:

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

- The potential cost of collective bargaining agreements with the union representing uniformed officers (e.g., Police Benevolent Association of the New York State Troopers, Inc., New York State Correctional Officers), the union representing graduate students (Graduate Student Employees Union), and salary increases for Judges (and possibly other elected officials) in 2008-09 and beyond. DOB estimates that if all remaining unsettled unions were to agree to the same terms that have been ratified by settled unions, it would result in added costs of approximately $190 million in 2008-09, $195 million in 2009-10, and $285 million in both 2010-11 and 2011-12;

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

- Proposed Federal rule changes concerning Medicaid payments; and

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

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

GAAP-Basis Results for Prior Fiscal Years

The Comptroller prepares Basic Financial Statements and other Supplementary Information on a GAAP basis for governments as promulgated by GASB. The Basic Financial Statements, released in July each year, include the Statement of Net Assets and Activities, the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds, the Statements of Net Assets, Revenues, Expenses and Changes in Fund Net Assets and Cash Flows for the Enterprise Funds, the Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets and the Combining Statements of Net Assets and Activities for Discretely Presented Component Units. These statements are audited by independent certified public accountants. The Comptroller also prepares and issues a Comprehensive Annual Financial Report, which includes a management discussion and analysis (MD&A), the Basic Financial Statements, other supplementary information which includes individual fund combining statements, and a statistical section. For information regarding the State's accounting and financial reporting requirements, see the section in the AIS dated May 8, 2007 entitled "State Organization—Accounting, Financial Reporting and Budgeting."

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

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

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

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

Summary of Net Assets
(millions of dollars)

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

Authorities and Localities

Localities

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

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

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

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

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

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

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

Locality Fiscal Year Ending	Combined New York City Debt (2)(3)		Other Localities Debt(4)		Total Locality Debt(4)	
	Bonds	Notes	Bonds(5)	Notes(5)	Bonds(4)(5)	Notes(5)
1980	12,995	---	6,835	1,793	19,830	1,793
1990	20,027	---	10,253	3,082	30,280	3,082
1995	29,930	---	15,829	3,219	45,759	3,219
1996	31,623	---	16,414	3,590	48,037	3,590
1997	33,046	---	17,526	3,208	50,572	3,208
1998	34,690	---	17,100	3,203	51,790	3,203
1999	37,352	---	18,448	3,420	55,800	3,420
2000	39,244	515	19,082	4,005	58,326	4,520
2001	40,305	---	20,221	4,279	60,526	4,279
2002	42,721	2,200	21,721	4,746	64,442	6,946
2003	47,376	1,110	23,908	5,972	71,284	7,082
2004	50,265	---	26,638	4,657	76,903	4,657
2005	54,421	---	29,202	4,363	83,623	4,363
2006	55,381	---	30,706	4,247	86,087	4,247

Source: Office of the State Comptroller.

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

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

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

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

(4) Outstanding bonded debt shown includes bonds issued by the localities and certain debt guaranteed by the localities and excludes capital lease obligations (for localities other than New York City), assets held in sinking funds and certain amounts available at the start of a fiscal year for redemption of debt.

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

Litigation

Tobacco Master Settlement Agreement

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

Glossary of Acronyms

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

Higher Educations Services Corporation .... (HESC)
Home Energy Assistance Program .... (HEAP)
Homeless Housing Assistance Corporation .... (HHAC)
Homeless Housing Assistance Program .... (HHAP)
Housing Assistance Fund .... (HAF)
Housing Trust Fund Corporation .... (HTFC)
Hudson River Park Trust .... (HRPT)
Industrial Finance Program .... (IFP)
Initial Public Offering .... (IPO)
Investment Tax Credit .... (ITC)
Limited Liability Company .... (LLC)
Local Government Assistance Corporation .... (LGAC)
London Inter Bank Offered Rates .... (LIBOR)
Mass Transportation Operating Assistance Fund .... (MTOA)
Medical Care Facilities Finance Agency .... (MCFFA)
Memorandum of Understanding .... (MOU)
Metropolitan Commuter Transportation District .... (MCTD)
Minority/Women-Owned Business Enterprises .... (M/WBE)
National Bureau of Economic Research .... (NBER)
New York Racing Authority .... (NYRA)
Non-Personal Service .... (NPS)
Office of Court Administration .... (OCA)
Patient Income Account .... (PIA)
Pay-As-You-Go .... (PAYGO)
Payment in Lieu of Taxes .... (PILOT)
Personal Income Tax .... (PIT)
Prior Year Claims .... (PYCs)
Psychiatric Services and Clinical Knowledge Enhancement System .... (PSYCKES)
Public Authorities Control Board .... (PACB)
Public Employees Federation .... (PEF)
Public Financial Management .... (PFM)
Percent of Personal Income .... (PPI)
Public Resources Advisory Group .... (PRAG)
Qualified Production Activity Income .... (QPAI)
Real Estate Investment Fund .... (REIT)
Rebuilding Schools to Uphold Education .... (RESCUE)
Regulated Investment Company .... (RIC)
Revenue Bond Tax Fund .... (RBTF)
Safe, Accountable, Flexible, Efficient Transportation Equity Act:
A Legacy for Users .... (SAFETEA-LU)
School Tax Relief .... (STAR)
Sound Basic Education .... (SBE)
Special Housing Unit .... (SHU)
Short-Term Investment Pool .... (STIP)
Special Revenue Funds .... (SRFs)
State Parks Infrastructure Fund .... (SPIF)
State Tax Asset Receivable Corporation .... (STARC)
Statewide Wireless Network .... (SWN)
Strategic Investment Program .... (SIP)
Supplemental Education Improvement Program .... (SEIP)
Supplemental Security Income .... (SSI)

Tax and Revenue Anticipation Notes .... (TRANs)
Tax Stabilization Reserve Fund .... (TSRF)
Teacher Support Aid .... (TSA)
Technical Advisory Service .... (TAS)
Technical Assistance Grant .... (TAG)
Temporary Assistance for Needy Families .... (TANF)
Tobacco Settlement Financing Corporation .... (TSFC)
Transitional Finance Authority .... (TFA)
Tuition Assistance Program .... (TAP)
United University Professions .... (UUP)
Urban Development Corporation .... (UDC)
Variable-Rate Demand Bonds .... (VRDBs)
Video Lottery Terminal .... (VLT)
Welfare Management System .... (WMS)
Western Hemisphere Travel Initiative .... (WHTI)

NEW YORK STATE AGENCIES AND PUBLIC AUTHORITIES

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

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

	Enacted	Change	First Quarter
Opening fund balance	2,754	0	2,754
Receipts:			
Taxes:			
Personal income tax	23,920	18	23,938
User taxes and fees	8,937	(134)	8,803
Business taxes	6,559	(510)	6,049
Other taxes	1,194	2	1,196
Miscellaneous receipts	2,505	46	2,551
Federal grants	41	0	41
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,583	19	8,602
Sales tax in excess of LGAC debt service	2,355	(29)	2,326
Real estate taxes in excess of CW/CA debt service	597	(24)	573
All other transfers	947	130	1,077
Total receipts	55,638	(482)	55,156
Disbursements:			
Grants to local governments	39,126	111	39,237
State operations:			
Personal Service	6,275	(285)	5,990
Non-Personal Service	2,387	(213)	2,174
General State charges	3,023	88	3,111
Transfers to other funds:			
Debt service	1,692	6	1,698
Capital projects	433	36	469
State Share Medicaid	2,655	0	2,655
Other purposes	770	53	823
Total disbursements	56,361	(204)	56,157
Change in fund balance	(723)	(278)	(1,001)
Closing fund balance	2,031	(278)	1,753
Reserves			
Tax Stabilization Reserve Fund	1,031	0	1,031
Statutory Rainy Day Reserve Fund	175	0	175
Contingency Reserve Fund	21	0	21
Community Projects Fund	237	0	237
Debt Reduction Reserve Fund	122	(22)	100
Labor Settlement Reserve/Other Risks	445	(256)	189

First Quarter estimates assume successful implementation of FMP savings (see text).

Source: NYS DOB

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

	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal income tax	24,816	(376)	24,440
User taxes and fees	9,258	(108)	9,150
Business taxes	6,925	(342)	6,583
Other taxes	1,325	0	1,325
Miscellaneous receipts	2,470	61	2,531
Federal Grants	0	0	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,782	(79)	8,703
Sales tax in excess of LGAC debt service	2,454	(17)	2,437
Real estate taxes in excess of CW/CA debt service	582	(19)	563
All other	533	(1)	532
Total receipts	57,145	(881)	56,264
Disbursements:			
Grants to local governments	43,136	408	43,544
State operations:			
Personal Service	6,570	(311)	6,259
Non-Personal Service	2,530	(200)	2,330
General State charges	3,848	(12)	3,836
Transfers to other funds:			
Debt service	1,680	66	1,746
Capital projects	680	31	711
State Share Medicaid	2,632	0	2,632
Other purposes	1,037	166	1,203
Total disbursements	62,113	148	62,261
Deposit to/(use of) Community Projects Fund	48	0	48
Margin	(5,016)	(1,029)	(6,045)

First Quarter estimates assume successful implementation of FMP savings (see text).

Outyear gaps do not include potential HCRA shortfalls.

Source: NYS DOB

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

	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal income tax	26,333	(450)	25,883
User taxes and fees	9,601	(153)	9,448
Business taxes	7,047	(413)	6,634
Other taxes	1,408	0	1,408
Miscellaneous receipts	2,471	60	2,531
Federal Grants	0	0	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	9,215	(160)	9,055
Sales tax in excess of LGAC debt service	2,561	(22)	2,539
Real estate taxes in excess of CW/CA debt service	610	(7)	603
All other	528	(1)	527
Total receipts	59,774	(1,146)	58,628
Disbursements:			
Grants to local governments	47,046	353	47,399
State operations:			
Personal Service	7,019	(340)	6,679
Non-Personal Service	2,645	(195)	2,450
General State charges	4,039	52	4,091
Transfers to other funds:			
Debt service	1,706	28	1,734
Capital projects	1,046	34	1,080
State Share Medicaid	2,678	0	2,678
Other purposes	1,348	223	1,571
Total disbursements	67,527	155	67,682
Deposit to/(use of) Community Projects Fund	(22)	0	(22)
Margin	(7,731)	(1,301)	(9,032)

First Quarter estimates assume successful implementation of FMP savings (see text).

Outyear gaps do not include potential HCRA shortfalls.

Source: NYS DOB

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

	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal income tax	28,229	(526)	27,703
User taxes and fees	9,975	(171)	9,804
Business taxes	7,190	(451)	6,739
Other taxes	1,498	0	1,498
Miscellaneous receipts	2,234	60	2,294
Federal Grants	0	0	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	9,705	(188)	9,517
Sales tax in excess of LGAC debt service	2,682	(31)	2,651
Real estate taxes in excess of CW/CA debt service	664	(9)	655
All other	567	0	567
Total receipts	62,744	(1,316)	61,428
Disbursements:			
Grants to local governments	49,988	385	50,373
State operations:			
Personal Service	7,200	(340)	6,860
Non-Personal Service	2,709	(216)	2,493
General State charges	4,336	104	4,440
Transfers to other funds:			
Debt service	1,673	41	1,714
Capital projects	1,099	48	1,147
State Share Medicaid	2,701	0	2,701
Other purposes	1,880	262	2,142
Total disbursements	71,586	284	71,870
Deposit to/(use of) Community Projects Fund	(80)	0	(80)
Margin	(8,762)	(1,600)	(10,362)

First Quarter estimates assume successful implementation of FMP savings (see text).

Outyear gaps do not include potential HCRA shortfalls.

Source: NYS DOB

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

	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
Receipts:				
Taxes:				
Personal income tax	23,938	24,440	25,883	27,703
User taxes and fees	8,803	9,150	9,448	9,804
Business taxes	6,049	6,583	6,634	6,739
Other taxes	1,196	1,325	1,408	1,498
Miscellaneous receipts	2,551	2,531	2,531	2,294
Federal grants	41	0	0	0
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	8,602	8,703	9,055	9,517
Sales tax in excess of LGAC debt service	2,326	2,437	2,539	2,651
Real estate taxes in excess of CW/CA debt service	573	563	603	655
All other transfers	1,077	532	527	567
Total receipts	55,156	56,264	58,628	61,428
Disbursements:				
Grants to local governments	39,237	43,544	47,399	50,373
State operations:				
Personal Service	5,990	6,259	6,679	6,860
Non-Personal Service	2,174	2,330	2,450	2,493
General State charges	3,111	3,836	4,091	4,440
Transfers to other funds:				
Debt service	1,698	1,746	1,734	1,714
Capital projects	469	711	1,080	1,147
State Share Medicaid	2,655	2,632	2,678	2,701
Other purposes	823	1,203	1,571	2,142
Total disbursements	56,157	62,261	67,682	71,870
Deposit to/(use of) Community Projects Fund	(103)	48	(22)	(80)
Deposit to/(use of) Prior Year Reserves	(876)	0	0	0
Deposit to/(use of) Debt Reduction Reserve	(22)	0	0	0
Margin	0	(6,045)	(9,032)	(10,362)

First Quarter estimates assume successful implementation of FMP savings (see text).

Outyear gaps do not include potential HCRA shortfalls.

Source: NYS DOB

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

	2007-2008 Actuals	2008-2009 Projected*	Annual Change
Opening fund balance	3,045	2,754	(291)
Receipts:			
Taxes:			
Personal income tax	22,759	23,938	1,179
User taxes and fees	8,555	8,803	248
Business taxes	6,017	6,049	32
Other taxes	1,063	1,196	133
Miscellaneous receipts	2,460	2,551	91
Federal grants	69	41	(28)
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,473	8,602	129
Sales tax in excess of LGAC debt service	2,358	2,326	(32)
Real estate taxes in excess of CW/CA debt service	682	573	(109)
All other transfers	660	1,077	417
Total receipts	53,096	55,156	2,060
Disbursements:			
Grants to local governments	36,414	39,237	2,823
State operations:			
Personal Service	6,659	5,990	(669)
Non-Personal Service	2,920	2,174	(746)
General State charges	4,620	3,111	(1,509)
Transfers to other funds:			
Debt service	1,548	1,698	150
Capital projects	141	469	328
State Share Medicaid	0	2,655	2,655
Other purposes	1,085	823	(262)
Total disbursements	53,387	56,157	2,770
Change in fund balance	(291)	(1,001)	(710)
Closing fund balance	2,754	1,753	(1,001)
Reserves			
Tax Stabilization Reserve Fund	1,031	1,031	0
Statutory Rainy Day Reserve Fund	175	175	0
Contingency Reserve Fund	21	21	0
Community Projects Fund	340	237	(103)
Debt Reduction Reserve Fund **	122	100	(22)
Labor Settlement Reserve/Other Risks **	1,065	189	(876)

** First Quarter estimates assume successful implementation of FMP savings (see text).*

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

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,754	3,520	285	6,559
Receipts:				
Taxes	39,986	8,083	12,937	61,006
Miscellaneous receipts	2,551	13,173	941	16,665
Federal grants	41	1	0	42
Total receipts	42,578	21,257	13,878	77,713
Disbursements:				
Grants to local governments	39,237	17,129	0	56,366
State operations:				
Personal Service	5,990	4,045	0	10,035
Non-Personal Service	2,174	2,619	70	4,863
General State charges	3,111	1,500	0	4,611
Debt service	0	0	4,628	4,628
Capital projects	0	3	0	3
Total disbursements	50,512	25,296	4,698	80,506
Other financing sources (uses):				
Transfers from other funds	12,578	4,037	5,651	22,266
Transfers to other funds	(5,645)	(1,079)	(14,751)	(21,475)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	6,933	2,958	(9,100)	791
Deposit to/(use of) Community Projects Fund	(103)	0	0	(103)
Deposit to/(use of) Prior Year Reserves	(876)	0	0	(876)
Deposit to/(use of) Debt Reduction Reserve	(22)	0	0	(22)
Change in fund balance	0	(1,081)	80	(1,001)
Closing fund balance	1,753	2,439	365	4,557

First Quarter estimates assume successful implementation of FMP savings (see text).

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,439	365	2,804
Receipts:				
Taxes	41,498	8,908	13,426	63,832
Miscellaneous receipts	2,531	13,375	896	16,802
Federal grants	0	1	0	1
Total receipts	44,029	22,284	14,322	80,635
Disbursements:				
Grants to local governments	43,544	17,890	0	61,434
State operations:				
Personal Service	6,259	4,219	0	10,478
Non-Personal Service	2,330	2,735	59	5,124
General State charges	3,836	1,251	0	5,087
Debt service	0	0	5,149	5,149
Capital projects	0	3	0	3
Total disbursements	55,969	26,098	5,208	87,275
Other financing sources (uses):				
Transfers from other funds	12,235	4,115	5,783	22,133
Transfers to other funds	(6,292)	(729)	(14,834)	(21,855)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	5,943	3,386	(9,051)	278
Deposit to/(use of) Community Projects Fund	48	0	0	48
Change in fund balance	(6,045)	(428)	63	(6,410)
Closing fund balance	(6,045)	2,011	428	(3,606)

First Quarter estimates assume successful implementation of FMP savings (see text).

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,011	428	2,439
Receipts:				
Taxes	43,373	9,450	14,222	67,045
Miscellaneous receipts	2,531	13,686	932	17,149
Federal grants	0	1	0	1
Total receipts	45,904	23,137	15,154	84,195
Disbursements:				
Grants to local governments	47,399	18,589	0	65,988
State operations:				
Personal Service	6,679	4,363	0	11,042
Non-Personal Service	2,450	2,797	59	5,306
General State charges	4,091	1,352	0	5,443
Debt service	0	0	5,807	5,807
Capital projects	0	2	0	2
Total disbursements	60,619	27,103	5,866	93,588
Other financing sources (uses):				
Transfers from other funds	12,724	4,332	6,155	23,211
Transfers to other funds	(7,063)	(813)	(15,372)	(23,248)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	5,661	3,519	(9,217)	(37)
Deposit to/(use of) Community Projects Fund	(22)	0	0	(22)
Change in fund balance	(9,032)	(447)	71	(9,408)
Closing fund balance	(9,032)	1,564	499	(6,969)

First Quarter estimates assume successful implementation of FMP savings (see text).

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	1,564	499	2,063
Receipts:				
Taxes	45,744	9,783	15,080	70,607
Miscellaneous receipts	2,294	14,187	974	17,455
Federal grants	0	1	0	1
Total receipts	48,038	23,971	16,054	88,063
Disbursements:				
Grants to local governments	50,373	19,753	0	70,126
State operations:				
Personal Service	6,860	4,391	0	11,251
Non-Personal Service	2,493	2,801	59	5,353
General State charges	4,440	1,408	0	5,848
Debt service	0	0	6,184	6,184
Capital projects	0	2	0	2
Total disbursements	64,166	28,355	6,243	98,764
Other financing sources (uses):				
Transfers from other funds	13,390	4,864	6,281	24,535
Transfers to other funds	(7,704)	(862)	(16,012)	(24,578)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	5,686	4,002	(9,731)	(43)
Deposit to/(use of) Community Projects Fund	(80)	0	0	(80)
Change in fund balance	(10,362)	(382)	80	(10,664)
Closing fund balance	(10,362)	1,182	579	(8,601)

First Quarter estimates assume successful implementation of FMP savings (see text).

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,754	3,879	(434)	285	6,484
Receipts:					
Taxes	39,986	8,083	2,079	12,937	63,085
Miscellaneous receipts	2,551	13,285	3,101	941	19,878
Federal grants	41	33,986	1,938	0	35,965
Total receipts	42,578	55,354	7,118	13,878	118,928
Disbursements:					
Grants to local governments	39,237	46,535	503	0	86,275
State operations:					
Personal Service	5,990	6,179	0	0	12,169
Non-Personal Service	2,174	4,020	0	70	6,264
General State charges	3,111	2,379	0	0	5,490
Debt service	0	0	0	4,628	4,628
Capital projects	0	3	6,475	0	6,478
Total disbursements	50,512	59,116	6,978	4,698	121,304
Other financing sources (uses):					
Transfers from other funds	12,578	6,576	649	5,651	25,454
Transfers to other funds	(5,645)	(3,917)	(1,232)	(14,751)	(25,545)
Bond and note proceeds	0	0	354	0	354
Net other financing sources (uses)	6,933	2,659	(229)	(9,100)	263
Deposit to/(use of) Community Projects Fund	(103)	0	0	0	(103)
Deposit to/(use of) Prior Year Reserves	(876)	0	0	0	(876)
Deposit to/(use of) Debt Reduction Reserve	(22)	0	0	0	(22)
Change in fund balance	0	(1,103)	(89)	80	(1,112)
Closing fund balance	1,753	2,776	(523)	365	4,371

First Quarter estimates assume successful implementation of FMP savings (see text).

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,776	(523)	365	2,618
Receipts:					
Taxes	41,498	8,908	2,157	13,426	65,989
Miscellaneous receipts	2,531	13,482	4,258	896	21,167
Federal grants	0	35,100	1,952	0	37,052
Total receipts	44,029	57,490	8,367	14,322	124,208
Disbursements:					
Grants to local governments	43,544	48,463	545	0	92,552
State operations:					
Personal Service	6,259	6,397	0	0	12,656
Non-Personal Service	2,330	4,160	0	59	6,549
General State charges	3,836	2,198	0	0	6,034
Debt service	0	0	0	5,149	5,149
Capital projects	0	3	8,007	0	8,010
Total disbursements	55,969	61,221	8,552	5,208	130,950
Other financing sources (uses):					
Transfers from other funds	12,235	6,835	946	5,783	25,799
Transfers to other funds	(6,292)	(3,546)	(1,153)	(14,834)	(25,825)
Bond and note proceeds	0	0	549	0	549
Net other financing sources (uses)	5,943	3,289	342	(9,051)	523
Deposit to/(use of) Community Projects Fund	48	0	0	0	48
Change in fund balance	(6,045)	(442)	157	63	(6,219)
Closing fund balance	(6,045)	2,334	(366)	428	(3,601)

First Quarter estimates assume successful implementation of FMP savings (see text).

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,334	(366)	428	2,396
Receipts:					
Taxes	43,373	9,450	2,161	14,222	69,206
Miscellaneous receipts	2,531	13,793	4,135	932	21,391
Federal grants	0	36,236	1,948	0	38,184
Total receipts	45,904	59,479	8,244	15,154	128,781
Disbursements:					
Grants to local governments	47,399	50,184	546	0	98,129
State operations:					
Personal Service	6,679	6,689	0	0	13,368
Non-Personal Service	2,450	4,297	0	59	6,806
General State charges	4,091	2,393	0	0	6,484
Debt service	0	0	0	5,807	5,807
Capital projects	0	2	8,019	0	8,021
Total disbursements	60,619	63,565	8,565	5,866	138,615
Other financing sources (uses):					
Transfers from other funds	12,724	7,293	1,396	6,155	27,568
Transfers to other funds	(7,063)	(3,674)	(1,488)	(15,372)	(27,597)
Bond and note proceeds	0	0	591	0	591
Net other financing sources (uses)	5,661	3,619	499	(9,217)	562
Deposit to/(use of) Community Projects Fund	(22)	0	0	0	(22)
Change in fund balance	(9,032)	(467)	178	71	(9,250)
Closing fund balance	(9,032)	1,867	(188)	499	(6,854)

First Quarter estimates assume successful implementation of FMP savings (see text).

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	1,867	(188)	499	2,178
Receipts:					
Taxes	45,744	9,783	2,176	15,080	72,783
Miscellaneous receipts	2,294	14,294	4,071	974	21,633
Federal grants	0	37,948	1,921	0	39,869
Total receipts	48,038	62,025	8,168	16,054	134,285
Disbursements:					
Grants to local governments	50,373	53,030	551	0	103,954
State operations:					
Personal Service	6,860	6,729	0	0	13,589
Non-Personal Service	2,493	4,323	0	59	6,875
General State charges	4,440	2,498	0	0	6,938
Debt service	0	0	0	6,184	6,184
Capital projects	0	2	7,778	0	7,780
Total disbursements	64,166	66,582	8,329	6,243	145,320
Other financing sources (uses):					
Transfers from other funds	13,390	7,901	1,451	6,281	29,023
Transfers to other funds	(7,704)	(3,747)	(1,567)	(16,012)	(29,030)
Bond and note proceeds	0	0	440	0	440
Net other financing sources (uses)	5,686	4,154	324	(9,731)	433
Deposit to/(use of) Community Projects Fund	(80)	0	0	0	(80)
Change in fund balance	(10,362)	(403)	163	80	(10,522)
Closing fund balance	(10,362)	1,464	(25)	579	(8,344)

First Quarter estimates assume successful implementation of FMP savings (see text).

Source: NYS DOB

CASHFLOW
GENERAL FUND
2008-2009
(dollars in millions)

	2008 April Actuals	May Actuals	June Actuals	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2009 January Projected	February Projected	March Projected	Total
OPENING BALANCE	2,754	9,111	5,629	3,618	3,881	3,914	5,337	3,555	912	605	5,339	4,366	2,754
RECEIPTS:													
Personal Income Tax	5,613	850	2,382	1,561	1,589	2,002	352	(114)	1,530	4,923	1,480	1,770	23,938
User Taxes and Fees	637	651	847	691	649	888	655	692	912	722	620	839	8,803
Business Taxes	104	(17)	948	136	174	1,250	118	73	1,167	128	157	1,811	6,049
Other Taxes	102	134	80	297	74	74	73	73	72	72	72	73	1,196
Total Taxes	6,456	1,618	4,257	2,685	2,486	4,214	1,198	724	3,681	5,845	2,329	4,493	39,986
Licenses, fees, etc.	43	64	42	34	60	44	58	53	35	42	55	62	592
Abandoned Property	0	5	4	17	10	56	17	184	41	74	60	282	750
Reimbursement	5	10	21	5	14	23	13	11	25	9	10	28	174
Investment income	35	0	12	24	(7)	6	53	16	5	25	0	11	180
Other transactions	33	109	201	38	41	55	38	33	53	38	32	184	855
Total Miscellaneous Receipts	116	188	280	118	118	184	179	297	159	188	157	567	2,551
Federal Grants	3	0	0	3	8	0	9	9	0	9	0	0	41
PIT in excess of Revenue Bond Debt Service	3,392	775	(1,135)	519	317	971	526	73	894	1,313	168	789	8,602
Sales Tax in Excess of LGAC Debt Service	174	27	424	206	197	212	196	210	275	219	3	183	2,326
Real Estate Taxes in Excess of CW/CA Debt Service	54	54	52	43	54	55	51	38	48	52	38	34	573
All Other	1	9	45	89	2	7	8	33	225	28	27	603	1,077
Total Transfers from Other Funds	3,621	865	(614)	857	570	1,245	781	354	1,442	1,612	236	1,609	12,578
TOTAL RECEIPTS	10,196	2,671	3,923	3,663	3,182	5,643	2,167	1,384	5,282	7,654	2,722	6,669	55,156
DISBURSEMENTS:													
School Aid	410	2,284	1,923	148	630	1,439	647	1,133	1,615	406	827	6,353	17,815
Higher Education	20	18	454	86	113	96	522	28	252	56	375	535	2,555
All Other Education	19	75	394	121	141	50	75	107	138	183	168	271	1,742
Medicaid - DOH	892	1,271	761	964	514	257	977	1,014	624	736	900	309	9,219
Public Health	50	14	14	56	34	56	56	38	59	107	44	100	628
Mental Hygiene	60	69	359	(40)	15	444	32	16	435	126	43	505	2,064
Children and Families	8	69	167	264	104	113	90	88	294	91	95	377	1,760
Temporary & Disability Assistance	123	123	320	155	155	171	(145)	155	171	(145)	124	6	1,213
Transportation	0	14	32	1	14	2	14	12	8	0	12	1	110
All Other	29	34	413	58	60	205	108	60	451	44	51	618	2,131
Total Local Assistance Grants	1,611	3,971	4,837	1,813	1,780	2,833	2,376	2,651	4,047	1,604	2,639	9,075	39,237
Personal Service	775	419	476	669	503	573	579	436	470	388	370	331	5,989
Non-Personal Service	226	206	191	212	224	168	138	126	140	163	150	231	2,175
Total State Operations	1,001	625	667	881	727	741	717	562	610	551	520	562	8,164
General State Charges	489	1,020	(142)	324	251	15	434	280	39	341	259	(199)	3,111
Debt Service	240	132	220	35	48	277	21	175	387	10	20	133	1,698
Capital Projects	100	77	72	98	83	111	150	70	221	111	84	(708)	469
State Share Medicaid	267	296	203	217	217	212	221	221	238	245	147	171	2,655
Other Purposes	131	32	77	32	43	31	30	68	47	58	26	248	823
Total Transfers to Other Funds	738	537	572	382	391	631	422	534	893	424	277	(156)	5,645
TOTAL DISBURSEMENTS	3,839	6,153	5,934	3,400	3,149	4,220	3,949	4,027	5,589	2,920	3,695	9,282	56,157
Excess/(Deficiency) of Receipts over Disbursements	6,357	(3,482)	(2,011)	263	33	1,423	(1,782)	(2,643)	(307)	4,734	(973)	(2,613)	(1,001)
CLOSING BALANCE	9,111	5,629	3,618	3,881	3,914	5,337	3,555	912	605	5,339	4,366	1,753	1,753

Source: NYS DOB

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

	2007-2008 Actuals	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT							
Agriculture and Markets, Department of	106,078	0	106,078	115,234	117,781	133,638	122,926
Alcoholic Beverage Control	16,109	0	16,109	18,087	19,145	19,870	20,372
Banking Department	82,523	0	82,523	86,056	87,800	91,683	89,925
Consumer Protection Board	4,002	0	4,002	4,975	5,110	5,349	5,219
Economic Development Capital Programs	41,578	0	41,578	48,800	18,300	0	0
Economic Development, Department of	139,785	0	139,785	130,127	150,044	154,433	146,081
Empire State Development Corporation	280,348	0	280,348	499,020	1,314,470	848,252	691,721
Energy Research and Development Authority	30,416	0	30,416	27,710	30,467	30,717	30,972
Housing and Community Renewal, Division of	303,779	0	303,779	359,312	332,149	335,149	337,832
Insurance Department	249,708	0	249,708	320,469	321,386	329,299	331,106
Olympic Regional Development Authority	6,543	0	6,543	14,169	8,927	9,147	9,373
Public Service, Department of	68,955	0	68,955	82,362	86,759	93,224	97,096
Science, Technology and Innovation, Foundation for	44,350	0	44,350	37,675	35,617	31,243	32,118
Strategic Investment	9,704	0	9,704	8,000	14,000	14,000	10,376
Functional Total	1,383,878	0	1,383,878	1,751,996	2,541,955	2,096,004	1,925,117
PARKS AND THE ENVIRONMENT							
Adirondack Park Agency	5,289	0	5,289	6,063	6,128	6,344	6,344
Environmental Conservation, Department of	964,379	0	964,379	929,701	966,052	988,788	984,009
Environmental Facilities Corporation	20,603	0	20,603	11,997	10,861	11,048	11,240
Hudson River Park Trust	14,370	0	14,370	20,682	15,000	10,000	0
Parks, Recreation and Historic Preservation, Office of	267,441	0	267,441	331,241	284,687	272,888	271,517
Functional Total	1,272,082	0	1,272,082	1,299,684	1,282,728	1,289,068	1,273,110
TRANSPORTATION							
Motor Vehicles, Department of	295,115	0	295,115	344,117	340,717	359,317	369,445
Thruway Authority	1,245	0	1,245	1,734	1,804	1,876	1,951
Metropolitan Transportation Authority	86,371	0	86,371	160,000	195,300	206,500	194,500
Transportation, Department of	6,151,063	0	6,151,063	6,533,346	6,778,225	7,033,639	7,087,664
Functional Total	6,533,794	0	6,533,794	7,039,197	7,316,046	7,601,332	7,653,560
HEALTH AND SOCIAL WELFARE							
Aging, Office for the	234,607	0	234,607	237,692	246,073	254,793	258,962
Children and Family Services, Office of	2,972,714	0	2,972,714	3,158,214	3,340,842	3,544,423	3,701,230
OCFS	2,972,714	(33,505)	2,939,209	3,114,709	3,274,975	3,432,629	3,568,629
OCFS - Medicaid	0	33,505	33,505	43,505	65,867	111,794	132,601
Health, Department of	36,549,449	0	36,549,449	37,635,424	40,484,240	43,021,996	45,984,977
Medical Assistance	31,040,404	0	31,040,404	31,772,587	34,158,977	36,411,503	39,127,045
Medicaid Administration	838,272	0	838,272	853,000	895,500	939,500	983,750
DOH - Other	4,670,773	0	4,670,773	5,009,837	5,429,763	5,670,993	5,874,182
Health - Medicaid Assistance	0	0		0	0	0	0
Human Rights, Division of	16,007	0	16,007	19,370	20,520	20,554	20,633
Labor, Department of	561,263	0	561,263	600,440	598,010	620,657	631,599
Medicaid Inspector General, Office of	47,840	0	47,840	94,754	99,487	102,277	105,952
Prevention of Domestic Violence, Office for	2,432	0	2,432	2,607	2,643	2,751	2,763
Stem Cell and Innovation	163	0	163	49,950	96,450	93,250	46,600

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

	2007-2008 Actuals	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
HEALTH AND SOCIAL WELFARE (Continued)							
Temporary and Disability Assistance, Office of	4,756,394	0	4,756,394	4,599,052	4,678,655	4,698,858	4,709,337
Welfare Assistance	3,217,951	0	3,217,951	3,053,619	3,117,868	3,117,781	3,118,781
Welfare Administration	369,646	0	369,646	369,982	371,907	371,907	371,907
All Other	1,168,797	0	1,168,797	1,175,451	1,188,880	1,209,170	1,218,649
Welfare Inspector General, Office of	1,073	0	1,073	1,505	1,551	1,612	1,636
Workers' Compensation Board	194,007	0	194,007	198,132	203,201	213,963	216,644
Functional Total	45,335,949	0	45,335,949	46,597,140	49,771,672	52,575,134	55,680,333
MENTAL HEALTH							
Mental Health, Office of	2,548,711	442,327	2,991,038	3,179,998	3,513,298	3,756,457	3,898,909
OMH	2,548,711	(1,228,855)	1,319,856	1,453,040	1,658,946	1,766,660	1,844,121
OMH - Medicaid	0	1,671,182	1,671,182	1,726,958	1,854,352	1,989,797	2,054,788
Mental Hygiene, Department of	237	449,449	449,686	674,606	406,080	438,611	477,163
Mental Retardation and Developmental Disabilities, Office of	3,395,365	548,766	3,944,131	4,024,760	4,281,921	4,513,627	4,652,918
OMRDD	3,395,365	(3,028,003)	367,362	399,377	401,555	406,343	415,928
OMRDD - Medicaid	0	3,576,769	3,576,769	3,625,383	3,880,366	4,107,284	4,236,990
Alcoholism and Substance Abuse Services, Office of	598,292	16,187	614,479	645,719	746,944	767,244	785,890
OASAS	598,292	(60,784)	537,508	566,489	666,377	684,309	701,721
OASAS - Medicaid	0	76,971	76,971	79,230	80,567	82,935	84,169
Developmental Disabilities Planning Council	5,530	0	5,530	4,150	4,150	4,150	4,150
Quality of Care for the Mentally Disabled, Commission on	14,115	0	14,115	17,511	19,234	19,699	19,733
Functional Total	6,562,250	1,456,729	8,018,979	8,546,744	8,971,627	9,499,788	9,838,763
PUBLIC PROTECTION							
Capital Defenders Office	1,035	0	1,035	388	0	0	0
Correction, Commission of	2,767	0	2,767	2,852	2,914	3,066	3,098
Correctional Services, Department of	2,723,700	0	2,723,700	2,758,778	2,872,931	2,970,221	3,039,777
Crime Victims Board	63,894	0	63,894	63,389	64,551	64,876	64,931
Criminal Justice Services, Division of	295,043	0	295,043	315,957	252,828	250,978	247,813
Homeland Security	65,821	0	65,821	207,044	377,556	303,329	569,143
Investigation, Temporary State Commission of	3,663	0	3,663	4,159	0	0	0
Judicial Commissions	3,925	0	3,925	5,075	5,210	5,367	5,470
Military and Naval Affairs, Division of	449,205	0	449,205	418,288	210,412	174,824	193,489
Parole, Division of	208,618	0	208,618	210,401	226,397	249,904	254,705
Probation and Correctional Alternatives, Division of	74,765	0	74,765	81,633	79,886	80,031	79,777
State Police, Division of	663,255	0	663,255	641,858	649,239	645,966	637,571
Functional Total	4,555,691	0	4,555,691	4,709,822	4,741,924	4,748,562	5,095,774

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

	2007-2008 Actuals	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
EDUCATION							
Arts, Council on the	53,425	0	53,425	55,218	55,468	55,625	55,723
City University of New York	1,105,307	0	1,105,307	1,380,359	1,456,481	1,546,765	1,574,662
Education, Department of	28,940,338	0	28,940,338	30,935,600	33,662,436	36,462,558	38,672,271
School Aid	21,543,493	(80,000)	21,463,493	23,233,833	25,210,450	27,384,570	29,264,570
School Aid - Medicaid Assistance	0	80,000	80,000	100,000	80,000	80,000	80,000
STAR Property Tax Relief	4,657,721	0	4,657,721	4,692,899	5,383,170	5,909,569	6,195,582
Special Education Categorical Programs	1,623,565	0	1,623,565	1,729,690	1,828,590	1,889,590	1,968,090
All Other	1,115,559	0	1,115,559	1,179,178	1,160,226	1,198,829	1,164,029
Higher Education Services Corporation	966,555	0	966,555	945,199	958,383	963,890	966,527
Higher Education Capital Grants	0	0	0	50,000	40,000	30,000	30,000
State University Construction Fund	15,813	0	15,813	18,255	19,012	20,135	20,614
State University of New York	6,126,674	0	6,126,674	6,703,209	7,012,349	7,499,693	7,619,708
Functional Total	37,208,112	0	37,208,112	40,087,840	43,204,129	46,578,666	48,939,505
GENERAL GOVERNMENT							
Audit and Control, Department of	250,228	0	250,228	275,235	277,376	286,694	289,053
Budget, Division of the	38,216	0	38,216	89,098	84,176	90,721	90,612
Civil Service, Department of	24,988	0	24,988	24,835	25,556	26,730	26,968
Elections, State Board of	14,269	0	14,269	78,267	185,475	9,614	9,731
Employee Relations, Office of	3,613	0	3,613	4,262	4,354	4,537	4,577
Executive Chamber	20,167	0	20,167	21,061	22,081	23,238	23,908
General Services, Office of	223,178	0	223,178	236,067	240,787	246,188	244,316
Inspector General, Office of	6,567	0	6,567	7,184	7,466	7,730	7,812
Law, Department of	205,403	0	205,403	244,850	253,279	263,561	269,419
Lieutenant Governor, Office of the	1,314	0	1,314	133	0	328	1,314
Lottery, Division of	218,612	0	218,612	190,437	195,060	200,701	200,701
Public Employment Relations Board	3,657	0	3,657	4,284	4,404	4,555	4,602
Public Integrity, Commission on	1,733	0	1,733	5,359	5,446	5,569	5,927
Racing and Wagering Board, State	24,477	0	24,477	22,537	23,436	24,381	24,677
Real Property Services, Office of	62,770	0	62,770	64,147	67,773	71,041	73,051
Regulatory Reform, Governor's Office of	3,850	0	3,850	3,407	3,520	3,652	3,652
State, Department of	200,896	0	200,896	196,196	172,528	175,574	172,196
Tax Appeals, Division of	3,325	0	3,325	3,406	3,489	3,671	3,671
Taxation and Finance, Department of	382,325	0	382,325	394,869	408,365	427,488	428,581
Technology, Office for	21,468	0	21,468	72,362	155,680	214,785	194,869
Lobbying, Temporary State Commission on	1,093	0	1,093	0	0	0	(332)
Veterans Affairs, Division of	15,429	0	15,429	18,636	17,787	17,831	17,421
Functional Total	1,727,578	0	1,727,578	1,956,632	2,158,038	2,108,589	2,096,726
ALL OTHER CATEGORIES							
Legislature	216,946	0	216,946	219,279	221,931	221,974	221,974
Judiciary (excluding fringe benefits)	2,266,864	0	2,266,864	2,483,149	2,623,260	2,840,137	2,996,256
World Trade Center	39,755	0	39,755	80,000	70,000	35,000	32,500
Local Government Assistance	917,495	0	917,495	1,229,875	1,405,395	1,484,724	1,484,164
Long-Term Debt Service	0	0	0	0	0	0	0
Capital Projects	0	0	0	0	0	0	0
General State Charges	3,997,233	(1,456,729)	2,540,504	2,469,484	3,163,643	3,382,010	3,705,218
Miscellaneous	4,038,780	0	4,038,780	2,833,184	3,477,878	4,151,808	4,375,197
Functional Total	11,477,073	(1,456,729)	10,020,344	9,314,971	10,962,107	12,115,653	12,815,309
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	116,056,407	0	116,056,407	121,304,026	130,950,226	138,612,796	145,318,197

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

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

Source: NYS DOB

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

	Enacted	Change	First Quarter
Revenues:			
Taxes:			
Personal income tax	23,426	(1,525)	21,901
User taxes and fees	8,936	(245)	8,691
Business taxes	6,534	(389)	6,145
Other taxes	1,272	12	1,284
Miscellaneous revenues	4,757	(114)	4,643
Federal grants	41	0	41
Total revenues	44,966	(2,261)	42,705
Expenditures:			
Grants to local governments	40,419	95	40,514
State operations	12,405	(808)	11,597
General State charges	3,848	222	4,070
Debt service	0	0	0
Capital projects	1	0	1
Total expenditures	56,673	(491)	56,182
Other financing sources (uses):			
Transfers from other funds	15,602	51	15,653
Transfers to other funds	(5,968)	(377)	(6,345)
Proceeds from financing arrangements/	0		0
advance refundings	393	(26)	367
Net other financing sources (uses)	10,027	(352)	9,675
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(1,680)	(2,122)	(3,802)
Accumulated Surplus/(Deficit)	2,271		149

Source: NYS DOB

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

	2008-2009 First Quarter	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
Revenues:				
Taxes:				
Personal income tax	21,901	24,563	24,923	27,096
User taxes and fees	8,691	9,154	9,452	9,808
Business taxes	6,145	6,583	6,634	6,739
Other taxes	1,284	1,383	1,471	1,550
Miscellaneous revenues	4,643	4,913	4,964	4,804
Federal grants	41	0	0	0
Total revenues	42,705	46,596	47,444	49,997
Expenditures:				
Grants to local governments	40,514	45,250	49,127	52,137
State operations	11,597	12,280	14,483	14,962
General State charges	4,070	4,268	2,765	3,183
Debt service	0	0	0	0
Capital projects	1	0	0	0
Total expenditures	56,182	61,798	66,375	70,282
Other financing sources (uses):				
Transfers from other funds	15,653	15,388	15,923	16,569
Transfers to other funds	(6,345)	(6,408)	(7,073)	(7,591)
Proceeds from financing arrangements/ advance refundings	367	355	360	359
Net other financing sources (uses)	9,675	9,335	9,210	9,337
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	(3,802)	(5,867)	(9,721)	(10,948)

Source: NYS DOB

Annual Information Statement

State of New York

May 12, 2008

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

Table of Contents

THE FOLLOWING SECTIONS ARE INCLUDED BY CROSS-REFERENCE

Annual Information Statement of the State of New York

Introduction

This Annual Information Statement ("AIS") is dated May 12, 2008 and contains information only through that date. This AIS constitutes the official disclosure information regarding the financial condition of the State of New York (the "State") and replaces the Annual Information Statement dated May 8, 2007 and all updates and supplements thereto. This AIS is scheduled to be updated on a quarterly basis (in August 2008, November 2008, and February 2009) and is subject to being supplemented from time to time as developments may warrant. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any update or supplement issued during the fiscal year.

In this AIS, readers will find:

1. A section entitled the "Current Fiscal Year" that contains (a) extracts from the 2008-09 Enacted Budget Financial Plan, dated May 1, 2008 (the "Financial Plan"), prepared by the Division of the Budget ("DOB"), including the State's official Financial Plan projections, and (b) a discussion of potential risks that may affect the Financial Plan during the State's current fiscal year under the heading "Special Considerations." The first part of the section entitled "Current Fiscal Year" summarizes the major components of the 2008-09 Enacted Budget and the projected impact on operations, annual spending growth, and the magnitude of future potential budget gaps; the second part provides detailed information on projected total receipts and disbursements in the State's governmental funds in 2008-09.

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

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

DOB is responsible for preparing the State's Financial Plan and presenting the information that appears in this AIS on behalf of the State. In preparing this AIS, DOB relies on information drawn from other sources, including the Office of the State Comptroller ("OSC"), that DOB believes to be reliable. Information relating to matters described in the section entitled "Litigation" is furnished by the State Office of the Attorney General.

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

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

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

Usage Notice

The AIS has been supplied by the State to provide updated information about the financial condition of the State in connection with financings of certain issuers, including public authorities of the State, that may depend in whole or in part on State appropriations as sources of payment of their respective bonds, notes or other obligations and for which the State has contractually obligated itself to provide such information pursuant to an applicable continuing disclosure agreement (a "CDA").

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

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

Current Fiscal Year

The 2008-09 Enacted Budget Financial Plan, extracts of which are set forth below, was prepared by the DOB and reflects the actions of the Legislature and Governor.

The Financial Plan contains estimates for the 2008-09 fiscal year and projections for the 2009-10 through 2011-12 fiscal years. As such, it contains estimates and projections of future results that should not be construed as statements of fact. These estimates and projections are based upon various assumptions that may be affected by numerous factors, including future economic conditions in the State and nation and potential litigation. There can be no assurance that actual results will not differ materially and adversely from the estimates and projections contained in the Financial Plan set forth below.

The State accounts for all of its spending and revenues by the fund in which the activity takes place (such as the General Fund), and the broad category or purpose of that activity (such as Grants to Local Governments). The Financial Plan tables sort all State projections and results by fund and category. The State Constitution requires the Governor to submit an Executive Budget that is balanced on a cash basis in the General Fund — the Fund that receives the majority of State taxes, and all income not earmarked for a particular program or activity. Since this is the fund that is statutorily required to be balanced, the focus of the State's budget discussion is often weighted toward the General Fund.

In addition to the General Fund, the State reports spending and revenue activity by other broad measures: including State Operating Funds, which includes the General Fund and funds specified for dedicated purposes, but excludes capital project funds and Federal Funds; and All Governmental Funds ("All Funds"), which includes both State and Federal Funds and provides the most comprehensive view of the financial operations of the State.

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

2008-09 Enacted Budget Financial Plan Overview

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

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

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

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

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

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

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

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

* *Unaudited Year-End Results*

** *Projection*

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

Current-Services Gap for 2008-09

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

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

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

Current-Services Receipts Changes (Since Executive Budget)

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

Current-Services Disbursements Changes (Since Executive Budget)

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

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

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

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

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

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

Savings Actions

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

Health Care

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

Health Care Financing: Cigarette Tax

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

Across-the Board Reductions

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

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

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

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

School Tax Relief Program

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

General State Charges

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

Mental Hygiene

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

Welfare/Temporary Assistance for Needy Families

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

Other Savings

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

Revenue Actions

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

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

Non-Recurring Resources

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

General Fund Non-Recurring Resources
(millions of dollars)

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

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

Initiatives

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

General Fund Closing Balances

General Fund Estimated Closing Balance
(millions of dollars)

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

** Unaudited Year-End Results*

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

Labor Settlements

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

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

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

Annual Spending Growth

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

Total Disbursements
(millions of dollars)

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

**Excludes transfers.*

*** Unaudited Year-End Results*

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

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

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

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

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

*** Includes Medicaid spending disbursed by such agency*

**** Unaudited Year-End Results*

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Changes to the Executive Budget

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

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

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

Impact on the Budget Gaps

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

2008-09 Enacted Budget: Impact on Budget Gaps (millions of dollars)			
	2009-10	**2010-11**	**2011-12**
EXECUTIVE 21-DAY GAPS (AFTER ACTIONS)	**(3,576)**	**(6,139)**	**(7,180)**
Current Services Impact on 21-Day Gap Estimate	**(1,135)**	**(1,363)**	**(1,234)**
Net Impact of Negotiated Changes	**(305)**	**(229)**	**(348)**
Across-the-Board Reductions	486	488	488
Budget Changes	(791)	(717)	(836)
ENACTED GAPS (AFTER ACTIONS)	**(5,016)**	**(7,731)**	**(8,762)**

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

New resources identified in negotiations include:

- Spending Reductions/Reestimates: The Legislature and Executive identified $734 million in spending reductions and reestimates compared to the Executive Budget projections. Spending reductions totaled $341 million. These included:
  - Not authorizing a request by the Judiciary for a pay increase ($143 million in 2008-09 and $37 million thereafter). The request included funding for a retroactive payment.
  - Eliminating the proposed cap on county pre-school education costs ($20 million growing to $120 million by 2011-12). The cap would have limited county expenses to an annual growth rate, similar to the existing cap on Medicaid.
  - Eliminating the proposed implementation of the Healthy Schools Program ($5 million in 2008-09 growing to $37 million by 2010-11).
  - Reducing or eliminating a number of other initiatives in the areas of health, aging, social services, and economic development. These include Avian Flu preparation ($17 million), Brownfield remediation ($10 million), "broadband" capacity expansion ($5 million), and a range of Health and Mental Hygiene initiatives (including long-term care reform; and facilitated enrollment).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2008-09 Receipts and Disbursements Forecast

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

Financial Plan projections are presented on an All Funds basis, which encompasses activity in the General Fund, State Operating Funds, Capital Projects Funds, and Federal Operating Funds, thus providing the most comprehensive view of the financial operations of the State.

Receipts Forecast

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

2008-09 Receipts Overview

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

** Excludes transfers*

***Unaudited Year-End Results*

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

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

**Unaudited Year-End Results*

2008-09

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

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

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

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

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

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

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

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

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

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

Base Growth

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

**Unaudited Year-End Results*

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

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

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

Personal Income Tax

Personal Income Tax
(millions of dollars)

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

Unaudited Year-End Results

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

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

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

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

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

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

*** Unaudited Year-End Results*

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

Personal Income Tax
(millions of dollars)

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

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

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

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

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

User Taxes and Fees

User Taxes and Fees
(millions of dollars)

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

**Unaudited Year-End Results*

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

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

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

User Taxes and Fees
(millions of dollars)

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

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

Business Taxes

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

**Unaudited Year-End Results*

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

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

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

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

Projected All Funds non-audit business tax receipts for 2008-09 also reflect growth in corporation and utilities tax receipts of 3.3 percent, insurance tax receipts of 7 percent and petroleum business tax receipts of 4.4 percent. All Funds audit receipts from all business taxes are projected to decline by 4.2 percent, or $59 million, from the relatively high level of the prior year.

General Fund business tax receipts for 2008-09 of $6.6 billion are estimated to increase $541 million, or 9 percent over the prior year. Absent Enacted Budget tax law changes, General Fund business tax receipts are expected to decline by $82 million, or 1.4 percent. More specifically, estimated 2008 corporate franchise tax liability after adjusting for enacted tax initiatives is estimated to decline by 2.7 percent, consistent with the revised corporate profits estimate. Business tax receipts deposited to the General Fund reflect the All Funds trends and the enacted tax initiatives discussed above.

All Funds business tax receipts for 2009-10 are projected to increase $433 million, or 4.9 percent, to $9.2 billion. This change reflects increases in corporate franchise tax, corporation and utilities taxes, insurance taxes and petroleum business taxes receipts, partially offset by a moderate decrease in bank tax receipts.

Business Taxes (millions of dollars)							
	2009-10 Projected	2010-11 Projected	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund	**6,925**	**7,047**	**122**	**1.8%**	**7,190**	**143**	**2.0%**
Corporate Franchise Tax	4,240	4,224	(16)	-0.4%	4,392	168	4.0%
Corporation & Utilities Tax	623	632	9	1.4%	636	4	0.6%
Insurance Tax	1,197	1,236	39	3.3%	1,280	44	3.6%
Bank Tax	865	955	90	10.4%	882	(73)	-7.6%
State/All Funds	**9,215**	**9,357**	**142**	**1.5%**	**9,526**	**169**	**1.8%**
Corporate Franchise Tax	4,830	4,809	(21)	-0.4%	5,002	193	4.0%
Corporation & Utilities Tax	827	837	10	1.2%	842	5	0.6%
Insurance Tax	1,323	1,365	42	3.2%	1,414	49	3.6%
Bank Tax	998	1,103	105	10.5%	1,018	(85)	-7.7%
Petroleum Business Tax	1,237	1,243	6	0.5%	1,250	7	0.6%

For 2010-11, All Funds business tax receipts are projected to increase by 1.5 percent, to $9.4 billion. This increase reflects increases in bank tax, insurance tax, corporation and utilities tax and petroleum business tax receipts, largely offset by a small decrease in corporate franchise tax receipts, as a result of an expected significant increase in Brownfield credit claims. For 2011-12, All Funds business tax receipts are projected to increase by 1.8 percent to $9.5 billion.

Other Taxes

Other Taxes (millions of dollars)							
	2007-08 Results*	2008-09 Estimated	Annual $ Change	Annual % Change	2009-10 Projected	Annual $ Change	Annual % Change
General Fund	**1,064**	**1,194**	**130**	**12.2%**	**1,325**	**131**	**11.0%**
Estate Tax	1,037	1,170	133	12.8%	1,301	131	11.2%
Gift Tax	1	0	(1)	-100.0%	0	0	0.0%
Real Property Gains Tax	1	0	(1)	-100.0%	0	0	0.0%
Pari-mutuel Taxes	24	23	(1)	-4.2%	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State/All Funds	**2,085**	**2,151**	**66**	**3.2%**	**2,311**	**160**	**7.4%**
Estate Tax	1,037	1,170	133	12.8%	1,301	131	11.2%
Gift Tax	1	0	(1)	-100.0%	0	0	0.0%
Real Property Gains Tax	1	0	(1)	-100.0%	0	0	0.0%
Real Estate Transfer Tax	1,021	957	(64)	-6.3%	986	29	3.0%
Pari-mutuel Taxes	24	23	(1)	-4.2%	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

**Unaudited Year-End Results*

All Funds other tax receipts for 2008-09 are estimated to be nearly $2.2 billion, up $66 million or 3.2 percent from 2007-08 receipts, reflecting growth in estate tax receipts due to an anticipated increase in the number of large estate tax payments and declines in the real estate transfer tax. General Fund other tax receipts are expected to total $1.2 billion in fiscal year 2008-09, an increase of $130 million.

All Funds other tax receipts in 2009-10 are projected to be over $2.3 billion, up $160 million or 7.5 percent from 2008-09, reflecting modest growth in real estate transfer tax receipts as well as growth in estate tax receipts. General Fund receipts for 2009-10 are projected to total approximately $1.3 billion, an increase of $131 million.

Other Taxes (millions of dollars)							
	2009-10 Projected	2010-11 Projected	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund	**1,325**	**1,408**	**83**	**6.3%**	**1,498**	**90**	**6.4%**
Estate Tax	1,301	1,384	83	6.4%	1,474	90	6.5%
Gift Tax	0	0	0	0.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0.0%
Pari-mutuel Taxes	23	23	0	0.0%	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State/All Funds	**2,311**	**2,419**	**108**	**4.7%**	**2,555**	**136**	**5.6%**
Estate Tax	1,301	1,384	83	6.4%	1,474	90	6.5%
Gift Tax	0	0	0	0.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0.0%
Real Estate Transfer Tax	986	1,011	25	2.5%	1,057	46	4.5%
Pari-mutuel Taxes	23	23	0	0.0%	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

The 2010-11 All Funds receipts projection for other taxes is just over $2.4 billion, up $108 million or 4.7 percent over the 2009-10 receipts total. Growth in the estate tax is projected to follow expected increases in household net worth and receipts from the real estate transfer tax continue to reflect the slow growth in the housing market.

The 2011-12 All Funds receipts projection for other taxes is approximately $2.6 billion, up $136 million or 5.6 percent over 2010-11 receipts total. The forecast reflects continued increases in household net worth as well as in the value of real property transfers.

Miscellaneous Receipts and Federal Grants

Miscellaneous Receipts and Federal Grants (millions of dollars)							
	2007-08 Results*	2008-09 Estimated	Annual $ Change	Annual % Change	2009-10 Projected	Annual $ Change	Annual % Change
General Fund	**2,527**	**2,546**	**19**	**0.8%**	**2,470**	**(76)**	**-3.0%**
Miscellaneous Receipts	2,458	2,505	47	1.9%	2,470	(35)	-1.4%
Federal Grants	69	41	(28)	-40.6%	0	(41)	-100.0%
State Funds	**19,500**	**20,006**	**506**	**2.6%**	**20,856**	**850**	**4.2%**
Miscellaneous Receipts	19,431	19,964	533	2.7%	20,855	891	4.5%
Federal Grants	69	42	(27)	-39.1%	1	(41)	-97.6%
All Funds	**54,549**	**56,040**	**1,491**	**2.7%**	**57,999**	**1,959**	**3.5%**
Miscellaneous Receipts	19,640	20,084	444	2.3%	20,965	881	4.4%
Federal Grants	34,909	35,956	1,047	3.0%	37,034	1,078	3.0%

**Unaudited Year-End Results*

All Funds miscellaneous receipts include moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are projected to total $20.1 billion in 2008-09, an increase of $444 million from 2007-08 largely driven by growth in: lottery revenues, including VLTs ($314 million); SUNY hospital revenues ($168 million); and HCRA revenues excluding the State cigarette tax ($85 million).

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, School Aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically expects that Federal reimbursement will be received in the State fiscal year in which spending occurs, but timing differences sometimes varies. Federal grants are projected to total nearly $36.0 billion in 2008-09, an increase of over $1.0 billion from 2007-08. Federal spending is expected to increase for public health ($209 million), Medicaid ($257 million), homeland security ($78 million) and temporary and disability assistance ($175 million).

General Fund miscellaneous receipts collections are estimated to be approximately $2.5 billion in 2008-09, up $47 million from 2007-08 receipts. This increase is primarily due to an increase in Monroe County's Medicaid sales tax intercept payments and additional abandoned property receipts. General Fund Federal grants are expected to decline by $28 million from the prior year, one-half which is due to the possible loss of the Federal Medicare Part D receipts if the State converts its retiree contracted Medicare Part D subsidy for State retirees.

All Funds miscellaneous receipts are projected to total nearly $21.0 billion in 2009-10, an increase of $881 million from the current year, driven by: growth in programs financed with authority bond proceeds ($1.0 billion), including spending for economic development, environment, education and mental health; offset by a reduction in expected HCRA revenues ($213 million). Federal grants are projected to total $37.0 billion in 2009-10, an increase of $1.0 billion from the current year. Federal spending is expected to increase for Medicaid ($958 million) and Elections ($114 million). These increases would be slightly offset by a decline in lottery revenues of $45 million, due to the expected sale of development rights of the Aqueduct VLT facility during 2008-09, and the decrease of approximately $14 million due to the potential loss of the Medicare Part D Subsidy should a conversion to a contracted Medicare Part D plan. Such a conversion would have no negative impact on retirees while potentially reducing State spending. In most cases, the grant levels reflect projected changes in State spending levels and a corresponding change in estimated Federal reimbursement, not changes in aid levels for New York authorized by Congress.

General Fund miscellaneous receipts collections in 2009-10 are projected to fall to just under $2.5 billion, down $35 million from 2008-09 estimates, due to the loss of revenue from the State of New York Mortgage Authority.

Miscellaneous Receipts and Federal Grants (millions of dollars)							
	2009-10 Projected	2010-11 Projected	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund	**2,470**	**2,471**	**1**	**0.0%**	**2,234**	**(237)**	**-9.6%**
Miscellaneous Receipts	2,470	2,471	1	0.0%	2,234	(237)	-9.6%
Federal Grants	0	0	0	0.0%	0	0	0.0%
State Funds	**20,856**	**20,960**	**104**	**0.5%**	**20,928**	**(32)**	**-0.2%**
Miscellaneous Receipts	20,855	20,959	104	0.5%	20,927	(32)	-0.2%
Federal Grants	1	1	0	0.0%	1	0	0.0%
All Funds	**57,999**	**59,145**	**1,146**	**2.0%**	**60,776**	**1,631**	**2.8%**
Miscellaneous Receipts	20,965	21,070	105	0.5%	21,037	(33)	-0.2%
Federal Grants	37,034	38,075	1,041	2.8%	39,739	1,664	4.4%

In 2010-11, General Fund miscellaneous receipts and Federal grants are projected to be nearly $2.5 billion, virtually unchanged from 2009-10.

2008-09 Disbursements Forecast

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

**Excludes transfers.*

*** Unaudited Year-End Results*

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

State Operating Funds spending, which includes the General Fund, debt service, and other operating funds supported by assessments, tuition, HCRA resources and other non-Federal revenues, is projected to total $80.9 billion in 2008-09. All Funds spending is projected to total $121.6 billion in 2008-09. The major sources of annual spending change between 2007-08 and 2008-09 (after Enacted Budget actions) are summarized in the following table.

2008-09 Enacted Budget Spending Projections -- After Enacted Budget Actions
Major Sources of Annual Change
(millions of dollars)

	General Fund **	Other State Funds***	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	Total All Funds
2007-08 Results*	**50,611**	**26,390**	**77,001**	**6,131**	**32,924**	**116,056**
Medicaid Transparency Adjustment	(2,655)	2,655	0	0	0	0
Major Functions						
Public Health:						
Medicaid (DOH only)	198	258	456	0	257	713
Public Health/Aging	(36)	195	159	46	152	357
K-12 Education:						
School Aid	1,629	135	1,764	0	37	1,801
All Other Education Aid	72	(3)	69	84	59	212
STAR	0	35	35	0	0	35
Higher Education	182	10	192	81	12	285
Social Services:						
Temporary and Disability Assistance	(341)	2	(339)	0	164	(175)
Children and Family Services	158	1	159	(1)	18	176
Mental Hygiene	98	59	157	43	(21)	179
Transportation	8	182	190	353	5	548
General State Charges	(140)	58	(82)	0	16	(66)
Debt Service	144	404	548	0	0	548
All Other Changes						
Economic Development	1	56	57	268	0	325
PEF Labor Settlement	254	108	362	0	0	362
Local Government Aid	325	0	325	0	0	325
Correctional Services	(42)	6	(36)	36	32	32
Empire State Stem Cell Trust Fund	0	50	50	0	0	50
Homeland Security	55	0	55	2	80	137
Parks and Recreation	(6)	(3)	(9)	68	(2)	57
State Equipment Financing	0	0	0	102	0	102
Elections	7	3	10	0	54	64
All Other	289	(550)	(261)	(133)	(123)	(517)
2008-09 Enacted Budget Estimate	**50,811**	**30,051**	**80,862**	**7,080**	**33,664**	**121,606**
Annual Dollar Change, incl. MA adjust	*200*	*3,661*	*3,861*	*949*	*740*	*5,550*
Annual Percent Change	*0.4%*	*12.6%*	*5.0%*	*15.5%*	*2.2%*	*4.8%*

**Unaudited Year-End Results.*

***Excludes Transfers*

****Includes State Special Revenue and Debt Service Funds*

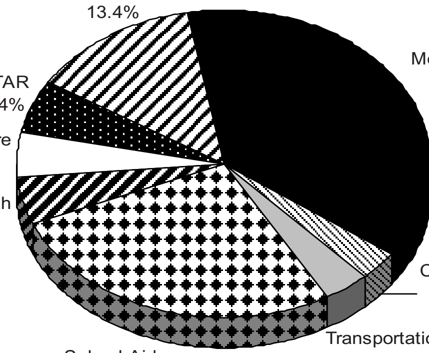
The spending forecast for each of the State's financial plan categories follows. In general, the spending changes are driven by two components: the current-services estimate for each area or activity; and the impact of the Enacted Budget actions.

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

Grants to Local Governments

Grants to Local Governments (Local Assistance) include payments to local governments, school districts, healthcare providers, and other local entities, as well as certain financial assistance to, or on behalf of, individuals, families, and nonprofit organizations. Local Assistance comprises 71 percent of All Funds spending.

2008-09 All Funds Local Assistance Spending
$86.3 Billion



Local Assistance Spending Projections (millions of dollars)						
	2007-08 Results*	Medicaid Allocation	2007-08 Adjusted	2008-09 Enacted	Annual $ Change	Annual % Change
General Fund	**36,412**	**49**	**36,461**	**39,126**	**2,665**	**7.3%**
Other State Support	16,157	598	16,755	17,230	475	2.8%
State Operating Funds	**52,570**	**647**	**53,217**	**56,356**	**3,140**	**5.9%**
Capital Project Funds	1,078	0	1,078	571	(508)	-47.1%
Federal Operating Funds	29,547	(784)	28,763	29,349	586	2.0%
All Funds	**83,195**	**(137)**	**83,058**	**86,276**	**3,218**	**3.9%**

**Unaudited Year-End Results*

In 2008-09, All Funds spending for local assistance is expected to total $86.3 billion. Total spending comprises State Aid to medical assistance providers and public health programs ($36.7 billion); State Aid to school districts, universities, and tuition assistance ($33.0 billion); temporary and disability assistance ($4.2 billion); mental hygiene programs ($3.6 billion); transportation ($3.0 billion); children and family services ($2.5 billion); and local government assistance ($1.2 billion). Other local assistance programs include criminal justice, economic development, housing, parks and recreation, and environmental quality. The following chart highlights proposed local assistance annual spending changes from 2007-08 to 2008-09 by major program and/or agency.

Local Assistance Spending Projections Major Sources of Annual Change (millions of dollars)	General Fund	State Operating Funds	All Governmental Funds
2007-08 Results*	**36,412**	**52,570**	**83,195**
Medicaid Allocation Adjustment	49	647	(137)
2007-08 Adjusted	**36,461**	**53,217**	**83,058**
School Aid	1,629	1,764	1,800
Medicaid (incl. Admin)	202	460	717
Local Government Assistance	324	324	324
City University	178	178	178
Children and Families	151	152	168
Other Education Aid	65	67	111
Mental Hygiene	197	863	95
Transportation	4	177	(267)
Temporary and Disability Assistance	(319)	(318)	(181)
Economic Development	(45)	(45)	(101)
All Other	278	(483)	373
2008-09 Enacted Budget	**39,126**	**56,356**	**86,276**
Annual Dollar Change	*2,665*	*3,140*	*3,218*
Annual Percent Change	*7.3%*	*5.9%*	*3.9%*

*Unaudited Year-End Results

For 2008-09, All Funds local assistance spending is projected to total $86.3 billion, an increase of $3.2 billion (3.9 percent) over the current year. The growth is largely driven by projected increases in School Aid ($1.8 billion) and Medicaid ($717 million). The largest annual variances are described in more detail below.

School Aid: General Fund growth reflects the balance of the 2007-08 school year increase and the level of spending growth which was already projected in the State's current services plan ($1.4 billion), new spending for enhancements to Foundation Aid, High Tax Aid, and other School Aid programs ($447 million), partially offset by additional lottery revenues generated by the State's sale of VLT development rights at Aqueduct ($250 million). Additional State Operating Funds spending is financed by additional lottery revenues, and additional All Governmental Funds spending is financed by additional Federal aid.

Medicaid: General Fund Medicaid spending growth reflects growth which was already projected in the State's current services plan to cover the increasing costs of providing health care services ($1.1 billion) and new Medicaid initiatives ($87 million), largely offset by enacted budget savings ($1.0 billion). General Fund initiatives include investments in hospital services, nursing homes and home care providers, while General Fund savings actions include savings which result from the $1.25 per pack increase in State cigarette taxes, savings associated with the Health Care Reform Act (HCRA), Medicaid fraud prevention, and pharmaceutical savings. Additional State Operating Funds spending is financed by available resources in HCRA and increased cigarette tax revenues, and additional All Governmental Funds spending is financed by additional Federal aid.

Local Government Assistance: In addition to over $200 million in increased aid to municipalities already budgeted in the current services plan, the enacted budget restored $82 million in Aid and Incentives to Municipalities (AIM) funding for New York City and provided $12 million in special aid to certain other cities.

City University: Largely reflects changes in the current services budget for operating costs, including increased spending associated with the State support for fringe benefit costs and an adjustment to prior-year fringe benefit payments.

Children and Families: Reflects increased spending for current services, particularly child welfare services, and new spending initiatives for programs previously funded through TANF, partly offset by various enacted savings initiatives including the 2 percent Statewide across-the-board reduction to programs and the bond financing of system software needs.

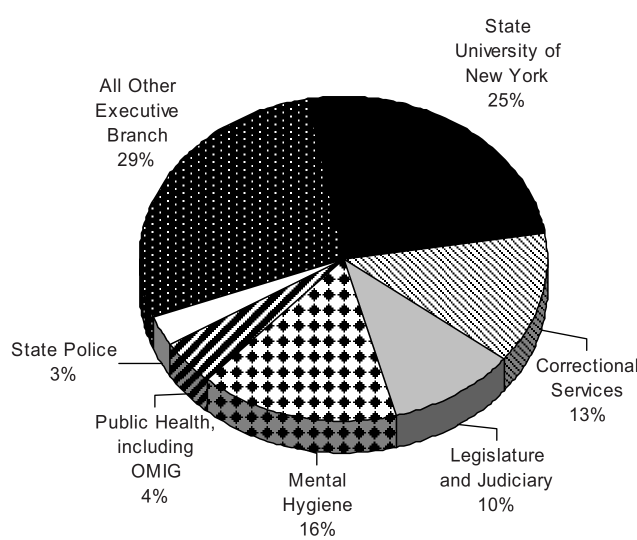
Other Education Aid: Largely reflects current services spending for special education programs, new costs associated with education aid increases to targeted school districts around the State and aid to non-public schools, partly offset by savings associated with the 2 percent across-the-board reduction to programs and the bond financing of technology purchases.

Mental Hygiene: Current service budget increases reflect existing program commitments and mandates associated with the Office of Mental Retardation and Developmental Disabilities (OMRDD) and the Office of Mental Health (OMH). The growth in current services is partly offset by enacted savings initiatives to implement various local assistance cash management and revenue maximization inititiaves.

State Operations

State Operations spending is for personal service and non-personal service costs. Personal service costs, which account for approximately two-thirds of State Operations spending, includes salaries of State employees of the Executive Branch, Legislature, and Judiciary, as well as overtime payments and costs for temporary employees. Non-personal service costs, which account for the remaining one-third of State Operations, represent other operating costs of State agencies, including real estate rental, utilities, contractual payments (i.e., consultants, information technology and professional business services), supplies and materials, equipment, telephone service and employee travel.

2008-09 All Funds State Operations Spending
$18.7 Billion



All Funds State Operations spending, after across-the-board reductions, is projected at $18.7 billion in 2008-09, a reduction of $700 million from the Executive Budget. Funding for the Office of the Lieutenant Governor has been eliminated. Spending finances the costs of Executive agencies ($16.8 billion) and the Legislature and Judiciary ($1.9 billion). The largest agencies include SUNY ($4.7 billion; 40,632 Full Time Equivalent Employees (FTEs)), Correctional Services

($2.5 billion; 31,973 FTEs), Mental Hygiene ($3.0 billion; 40,754 FTEs), Public Health, including OMIG ($808 million; 6,793 FTEs), and State Police ($592 million; 5,989 FTEs).

Approximately 93 percent of the State workforce is unionized. The largest unions include CSEA, which primarily represents office support staff and administrative personnel, machine operators, skilled trade workers, and therapeutic and custodial care staff; PEF, which primarily represents professional and technical personnel (i.e., attorneys, nurses, accountants, social workers, and institution teachers); UUP, which represents faculty and non-teaching professional staff within the State University system; and the New York State Correctional Officers and Police Benevolent Association which represents security personnel (correction officers, safety and security officers).

The State workforce, which reflects full-time employees of the Executive branch, excluding the Legislature, Judiciary, and contractual labor, is currently projected to total 201,170 in 2008-09, an increase of 1,369 FTEs over 2007-08 levels. This is before the impact of agency spending and management plans. Increases are expected in Mental Hygiene agencies (182 FTEs) primarily due to staffing related to the Sex Offender Management and Treatment Act and the NYS-CARES II program; OMIG (227 FTEs), reflecting staffing growth needed for Medicaid audit and fraud prevention activities; Motor Vehicles (109 FTEs) driven by the Federal Western Hemisphere Travel Initiative; and Health (256 FTEs), CUNY (140 FTEs) and Education (113 FTEs), reflecting authorized fill levels for 2008-09. Declines in Children and Family Services (128 FTEs) are expected mainly through attrition as a result of facility closures.

State Operations Spending Projections
(millions of dollars)

	2007-08 Results*	Medicaid Allocation	2007-08 Adjusted	2008-09 Proposed	Annual $ Change	Annual % Change
General Fund	**9,579**	**(1,247)**	**8,332**	**8,662**	**330**	**4.0%**
Other State Support	5,489	1,183	6,672	6,601	(71)	-1.1%
State Operating Funds	**15,068**	**(64)**	**15,004**	**15,263**	**259**	**1.7%**
Capital Projects Funds	**0**	**0**	**0**	**0**	**0**	N/A
Federal Operating Funds	3,153	201	3,354	3,474	120	3.6%
Total All Funds	**18,221**	**137**	**18,358**	**18,737**	**379**	**2.1%**

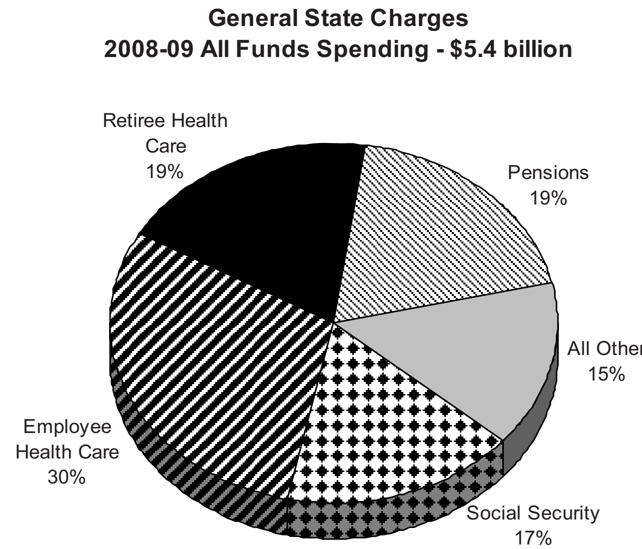
**Unaudited Year-End Results*

All Funds State Operations spending is expected to total $18.7 billion in 2008-09, comprising PS ($12.3 billion) and NPS ($6.4 billion). The majority of State Operations spending is for SUNY ($4.7 billion), Correctional Services ($2.5 billion), Judiciary ($1.9 billion), OMRDD ($1.5 billion), and OMH ($1.4 billion).

State Operations spending by category, based upon historical spending trends, is allocated among employee base salaries (62 percent), overtime payments (3 percent), contractual services (24 percent), supplies and materials (6 percent), equipment (3 percent), employee travel (1 percent) and other operational costs (1 percent).

General State Charges

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



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

General State Charges Spending Projections
(millions of dollars)

	2007-08 Results*	Medicaid Allocation**	2007-08 Adjusted	2008-09 Enacted	Annual $ Change	Annual % Change
General Fund	4,620	(1,457)	3,163	3,023	(140)	-4.4%
Other State Support	632	874	1,506	1,564	58	3.9%
State Operating Funds	**5,252**	**(583)**	4,669	**4,587**	(82)	-1.8%
Capital Projects Funds	0	0	0	0	0	0.0%
Federal Operating Funds	243	583	826	842	16	1.9%
Total All Funds	**5,495**	**0**	**5,495**	**5,429**	**(66)**	-1.2%

**Unaudited Year-End Results*
*** For detailed discussion please see Exhibit C to the Annual Information Statement.*

All Funds spending on General State Charges is expected to total $5.4 billion in 2008-09, and includes health insurance spending for employees ($1.7 billion) and retirees ($1.0 billion), pensions ($1.1 billion) and Social Security ($908 million).

The Budget authorizes an eligibility audit to eliminate ineligible dependents from receiving health insurance coverage from the State ($16 million), as well as increasing audit recoveries through the addition of five audit staff ($1 million). Savings are derived from the prepayment of pension costs, as well as accelerating the State's pension payment from September 1, 2008 to May 1, 2008, resulting in interest savings. The budget relies on the use of one-time health insurance dividends to pay for health care spending in 2008-09. Savings are expected from efforts to ensure all non-General Fund State programs are paying their appropriate share of fringe benefit costs. In 2008-09, approximately $18 million in savings will be realized from the cessation of certain fringe benefit waivers which had previously been granted.

Debt Service

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

Debt Service Spending Projections
(millions of dollars)

	2007-08 Results*	2008-09 Enacted	Annual $ Change	Annual % Change
General Fund	**1,548**	**1,692**	**144**	**9.3%**
Other State Support	2,556	2,960	404	15.8%
State Operating Funds	**4,104**	**4,652**	**548**	**13.4%**
Capital Projects Funds	**0**	**0**	**0**	**0.0%**
Total All Funds	**4,104**	**4,652**	**548**	**13.4%**

**Unaudited Year-End Results*

All Funds debt service is projected at $4.7 billion in 2008-09, of which $1.7 billion is paid from the General Fund through transfers and $3.0 billion from other State funds. Debt service is paid on revenue credits supported by dedicated taxes and fees and patient income, including Personal Income Tax Revenue bonds, Dedicated Highway and Bridge Trust Fund bonds and Mental Health facilities bonds, as well as service contract bonds that are secured mainly by the General Fund.

Growth in debt service reflects costs to support ongoing capital spending. The increased spending is for education purposes ($183 million, of which $79 million is for Expanding our Children's Education and Learning (EXCEL)), transportation ($126 million), health and mental hygiene ($65 million), and economic development and housing ($67 million), as offset by the $127 million Debt Reduction Reserve Fund spending in 2007-08 and other factors. In addition, 2007-08 spending for SUNY educational facilities and the Local Government Assistance Corporation (LGAC) was reduced by $222 million due to the timing of debt service payments made during 2006-07. Variable interest rates are projected at 3.15 percent for 2008-09. The rates include an assumed $20 million in additional variable rate interest costs related to the dislocation in the bond markets for auction rate securities and variable rate demand bonds insured by bond insurers that have had their credit ratings downgraded. The State is substantially reducing its exposure to auction rate securities and to variable rate demand bonds connected to affected insurers. The State expects to complete this restructuring by the end of the first quarter of fiscal year 2008-09. The 2008-09 projected rate is moderately less than 2007-08 actual levels of about 3.56 percent. See also the section on "Special Considerations" later in this AIS.

The projections reflect $21 million in savings from a variety of debt management actions, including selling a minimum of 25 percent of new bond sales competitively, expanding the use of performance measures to monitor the effectiveness of broker-dealers, remarketing agents, and other service providers, and maximizing savings opportunities, including through consolidated service contract refunding structures. The State will also continue to use personal income tax revenue bonds to reduce borrowing costs.

The projections include $23 million in projected additional debt service costs to the State, primarily as a product of dislocations in the variable rate markets. These increased interest costs result mainly from credit rating agency downgrades to several bond insurance firms which have affected demand for certain variable rate bonds. See the section on "Special Considerations" later in this AIS for more information.

A number of new bond-financed capital initiatives were enacted with the 2008-09 budget. These include increased capital programs for SUNY and CUNY ($2.7 billion), $1.285 billion for various economic development initiatives, $75 million of bond-eligible capital spending from the Environmental Protection Fund (EPF), $85 million of software development costs, $100 million for housing capital, and $60 million for local highway improvements. These are expected to have a minimal impact on 2008-09 debt service spending, although they will produce higher costs in later years.

Capital Projects

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

Capital Projects Spending Projections
(millions of dollars)

	2007-08 Results*	2008-09 Enacted	Annual $ Change	Annual % Change
General Fund	**141**	**433**	**292**	**207.1%**
Other State Support	4,235	4,677	442	10.4%
State Funds	**4,376**	**5,110**	**734**	**16.8%**
Federal Funds	1,755	1,970	215	12.3%
All Funds	**6,131**	**7,080**	**949**	**15.5%**

**Unaudited Year-End Results*

All Funds capital spending of $6.1 billion in 2007-08 is projected to increase to $7.1 billion in 2008-09. In fiscal year 2008-09, transportation spending, primarily for improvements and maintenance to the State's highways and bridges, continues to account for the largest share (55 percent) of this total. The balance of projected spending will support capital investments in the areas of economic development and government oversight (10 percent), education (10 percent), mental hygiene and public protection (9 percent), and parks and the environment (9 percent). The remainder of projected capital projects spending will be spread across health and social welfare, general government and other areas (7 percent).

The spending increase for economic development reflects the cumulative impacts of initiatives begun over the previous several years. They include projects at State University facilities and its Research Foundation and private universities; various local projects across the State; cultural facilities needs, and energy-related projects. The increase for transportation reflects spending for ongoing commitments, including $106 million in Federal grants and $181 million for spending from the 2005 Rebuild and Renew New York General Obligation Bond Act, as those projects begin to spend more fully. The $354 million increase for other spending is spread across all other program areas, including mental hygiene, public protection, higher education, and health. To account for historical differences between commitments and cash disbursements in Capital Projects Funds, the Financial Plan includes a negative $250 million spending adjustment.

Approximately $8 million has been identified in savings by shifting environmental spending to bond financing. Another $50 million in savings is achieved in the Transportation area through a funding reduction to the State and Local Bridge Program.

The Enacted Budget Financial Plan reflects $417 million in spending on new initiatives including $122 million for economic development and housing projects, $78 million to expand existing environmental programs, $67 million for local highway and bridge projects, $64 million for education projects and $86 million for other areas including $1.5 million for renovations to the Legislative Office Building hearing rooms and $10 million for the Cornell Grape Genomics Research Facility.

OTHER FINANCING SOURCES/(USES)

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

General Fund

The most significant General Fund transfers to other funds in 2008-09 include transfers for the State share of Medicaid spending ($2.7 billion), general debt service ($1.7 billion) and capital projects ($433 million, including $241 million for pay-as-you-go projects and a $192 million transfer to the Dedicated Highway and Bridge Trust Fund). General Fund transfers to the Judiciary include moneys transferred to the Court Facilities Incentive Aid Fund, New York City County Clerks Fund, and Judiciary Data

General Fund
Other Financing Sources/(Uses)
(millions of dollars)

	2007-08 Results*	2008-09 Enacted	Annual $ Change	Annual % Change
Transfers From Other Funds	**12,172**	**12,482**	**310**	**2.5%**
Revenue Bond Tax Fund (PIT)	8,473	8,583	110	1.3%
LGAC Fund (Sales Tax)	2,358	2,355	(3)	-0.1%
CW/CA Fund (Real Estate Transfer Tax)	682	597	(85)	-12.5%
All Other	659	947	288	43.7%
Transfers to Other Funds	**(2,774)**	**(5,551)**	**(2,777)**	**100.1%**
Debt Service	(1,548)	(1,692)	(144)	9.3%
Capital Projects	(141)	(433)	(292)	207.1%
All Other	(1,085)	(3,426)	(2,341)	215.8%

**Unaudited Year-End Results*

Processing Fund ($157 million). Also included in General Fund transfers to other funds are transfers representing payments for patients residing in State-operated Health, Mental Hygiene and State University facilities ($174 million), and SUNY hospital subsidy payments ($141 million).

General Fund transfers from other funds are expected to total $12.5 billion in 2008-09, an increase of $310 million from 2007-08. Portions of personal income tax, sales tax, and the real estate transfer tax are pledged to pay debt service on State personal income tax bonds, LGAC bonds, and General Obligation bonds. Tax receipts in excess of debt service requirements are transferred to the General Fund. Annual growth in these dedicated tax receipts ($389 million) is partially offset by an increase in debt service costs ($361 million). All other General Fund transfers are projected to total $947 million in 2008-09, an increase of $288 million, primarily as a result of an increase in the sweep of excess EPF balances ($181 million).

General Fund transfers to other funds for debt service increase by $144 million from 2007-08, reflecting increases in debt service costs after accelerations of 2007-08 payments into 2006-07. Transfers to support capital projects are projected to increase by $292 million, mainly for potential transfers to the Dedicated Highway and Bridge Trust Fund aimed at reducing fund gaps ($179 million) and the conclusion of reconciling reimbursements for economic development projects in 2007-08 as the result of anticipated 2006-07 bond sales that were delayed by the absence of timely Public Authority Control Board approvals. The annual growth in transfers to other funds of $2.3 billion reflects the change to the reporting on State Medicaid spending described earlier in this report ($2.7 billion). Annual declines in other fund transfers which partly offset this increase include non-recurring transfers from the General Fund to the Debt Reduction Reserve Fund to defease debt and reduce long-term costs ($127 million) and transfers made to support School Aid ($103 million).

Other Fund Types

In Special Revenue Funds, transfers to other funds include transfers to the Debt Service Funds representing the Federal share of Medicaid payments for patients residing in State-operated Health and Mental Hygiene facilities and community homes, and patients at SUNY hospitals ($2.9 billion), a transfer from HCRA to the Capital Projects Fund to finance anticipated non-bondable spending for HEAL-NY ($100 million) and transfer of moneys from several Special Revenue accounts in excess of spending requirements.

Capital Projects funds transfers include transfers to the General Debt Service Fund from the Dedicated Highway and Bridge Trust Fund ($969 million), and transfers to the General Fund from the Hazardous Waste Remedial Fund ($27 million), and the Environmental Protection Fund ($200 million).

Debt Service Fund transfers to the General Fund include tax receipts in excess of debt service requirements for general obligation, LGAC and personal income tax revenue bonds ($11.5 billion). Transfers to Special Revenue Funds represent receipts in excess of lease/purchase obligations that are used to finance a portion of the operating expenses at DOH, Mental Hygiene facilities, and SUNY ($3.2 billion).

Annual growth in transfers between Non-General Funds is driven by an increase in transfers from Debt Service Funds to Special Revenue Funds for receipts in excess of debt obligations on State-operated Mental Hygiene facilities ($149 million) and higher than anticipated transfers from the Dedicated Highway and Bridge Trust Fund to the General Debt Service Fund due to increased debt service costs for State and local transportation programs ($195 million).

General Fund Financial Plan Outyear Projections

DOB projects that the Enacted Budget Financial Plan is balanced in the General Fund in 2008-09, and projects out-year budget gaps of $5.0 billion in 2009-10, $7.7 billion in 2010-11, and $8.8 billion in 2011-12. The following table summarizes the General Fund projections by major tax and Financial Plan category.

General Fund Enacted Budget Forecast (millions of dollars)

	2008-09	2009-10	2010-11	2011-12
Receipts				
Taxes	40,610	42,324	44,389	46,892
Personal Income Tax	23,920	24,816	26,333	28,229
User Taxes and Fees	8,937	9,258	9,601	9,975
Business Taxes	6,559	6,925	7,047	7,190
Other Taxes	1,194	1,325	1,408	1,498
Miscellaneous Receipts	2,505	2,470	2,471	2,234
Federal Grants	41	0	0	0
Transfers from Other Funds	12,482	12,351	12,914	13,618
PIT in Excess of Revenue Bond Debt Service	8,583	8,782	9,215	9,705
Sales Tax in Excess of LGAC Debt Service	2,355	2,454	2,561	2,682
Real Estate Taxes in Excess of CW/CA Debt Service	597	582	610	664
All Other	947	533	528	567
Total Receipts	**55,638**	**57,145**	**59,774**	**62,744**
Disbursements				
Grants to Local Governments	39,126	43,136	47,046	49,988
State Operations	8,662	9,100	9,664	9,909
General State Charges	3,023	3,848	4,039	4,336
Transfers to Other Funds	5,550	6,029	6,778	7,353
Debt Service	1,692	1,680	1,706	1,673
Capital Projects	433	680	1,046	1,099
Other Purposes	3,425	3,669	4,026	4,581
Total Disbursements	**56,361**	**62,113**	**67,527**	**71,586**
Change in Reserves				
Rainy Day Reserve Fund	0	0	0	0
Prior Year Reserves	(620)	0	0	0
Community Projects Fund	(103)	48	(22)	(80)
Deposit to/(Use of) Reserves	**(723)**	**48**	**(22)**	**(80)**
Revised Budget Surplus/(Gap) Estimate	**0**	**(5,016)**	**(7,731)**	**(8,762)**

After actions, General Fund spending is projected to grow at an average annual rate of 8.3 percent over this period. The spending is driven by, among other things, School Aid, health care, the State-financed cap on local Medicaid spending, employee and retiree health benefits, local government aid and child welfare programs. Over the same period, General Fund receipts are estimated to grow at approximately 4 percent a year.

In evaluating the State's out-year operating forecast, it should be noted that the reliability of the estimates as a predictor of the State's future fiscal condition is likely to diminish as one moves further from the current year and budget year estimates. Accordingly, the 2009-10 forecast is perhaps the most relevant from a planning perspective, since any gap in that year must be closed with the next budget and the variability of the estimates is likely to be less than in later years. The State will provide quarterly revisions to its multi-year estimates.

The following chart provides a "zero-based" look at the causes of the 2009-10 General Fund budget gap, followed by a brief summary of the assumptions behind the projections. For a detailed explanation of the assumptions underlying the out-year revenue and spending projections, see "Out-Year General Fund Receipt Projections" and "Out-Year General Fund Disbursement Projections" later in this section.

2009-10 General Fund Annual Change Savings/(Costs) (millions of dollars)	
	Dollar
RECEIPTS GROWTH	**1,507**
Personal Income Tax *	896
User Taxes and Fees *	321
Business Taxes	366
Other Taxes *	131
Miscellaneous Receipts	(35)
All Other Transfers/Changes	(172)
** Includes transfers after debt service*	
DISBURSEMENTS GROWTH	**5,752**
Local Assistance	**4,010**
Medicaid (incl. admin)	1,797
Program Growth	*889*
Other (Includes 53rd Medicaid Cycle and Timing of Certain Payments	*650*
Medicaid Cap/Family Health Plus Takeover	*258*
School Aid	1,762
Children and Family Services	149
Local Government Aid	163
All Other Local Assistance	139
State Operations	**438**
Personal Service	295
Non-personal Service	143
General State Charges	**825**
Health Insurance	228
Pensions	233
All Other	364
Transfers to Other Funds	**479**
Change Reserves Used for Operations	**(771)**
"CURRENT SERVICES" BUDGET GAP FOR 2009-10	**(5,016)**

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

- The performance of the economy in general and the financial services sector in particular, and the concomitant impact on State tax receipts. DOB's current economic forecast predicts a mild recession in 2008, with growth beginning again in calendar year 2008. The forecast for State tax receipts is based on the current forecast.

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

- The projections do not include any extra costs for unsettled labor settlements. The Financial Plan projections do not include spending for unions that have not yet reached tentative labor settlements with the State. These include unions representing uniformed officers and CUNY employees.

- The projections after 2008-09 do not assume the use of one-time resources. In a typical year, however, the Financial Plan usually includes some such resources.

Changes to these or other assumptions could have a materially adverse impact on the size of the budget gaps for 2009-10 and beyond.

Outyear General Fund Receipts Projections

General Fund Receipts Projections (millions of dollars)

	2008-09	2009-10	Annual $ Change	2010-11	Annual $ Change	2011-12	Annual $ Change
Receipts							
Personal Income Tax	23,920	24,816	896	26,333	1,517	28,229	1,896
User Taxes and Fees	8,937	9,258	321	9,601	343	9,975	374
Business Taxes	6,559	6,925	366	7,047	122	7,190	143
Other Taxes	1,194	1,325	131	1,408	83	1,498	90
Miscellaneous Receipts	2,505	2,470	(35)	2,471	1	2,234	(237)
Federal Grants	41	0	(41)	0	0	0	0
Transfers from Other Funds	12,482	12,351	(131)	12,914	563	13,618	704
PIT in Excess of Revenue Bond Debt Service	8,583	8,782	199	9,215	433	9,705	490
Sales Tax in Excess of LGAC Debt Service	2,355	2,454	99	2,561	107	2,682	121
Real Estate Taxes in Excess of CW/CA Debt Service	597	582	(15)	610	28	664	54
All Other	947	533	(414)	528	(5)	567	39
Total Receipts	**55,638**	**57,145**	**1,507**	**59,774**	**2,629**	**62,744**	**2,970**

Fiscal Years 2009-10, 2010-11 and 2011-12 Overview

The complete multi-year forecast for receipts is found in the section "2008-09 Receipts and Disbursements Forecast" presented earlier in this AIS.

Outyear General Fund Disbursement Projections

DOB forecasts General Fund spending of $62.1 billion in 2009-10, an increase of $5.8 billion (10.2 percent) over recommended 2008-09 levels. Growth in 2010-11 is projected at $5.4 billion (8.7 percent) and in 2011-12 at $4.1 billion (6.0 percent). The growth levels are based on current-services projections, as modified by the actions contained in the 2008-09 Executive Budget including Governor Paterson's across-the-board cuts. The main sources of annual spending growth for 2009-10, 2010-11, and 2011-12 are itemized in the following table.

Out-Year Disbursement Projections - General Fund
(millions of dollars)

	2008-09	2009-10	Annual $ Change	Annual % Change	2010-11	Annual $ Change	Annual % Change	2011-12	Annual $ Change	Annual % Change
Grants to Local Governments:	**39,126**	**43,136**	**4,010**	**10.2%**	**47,046**	**3,910**	**9.1%**	**49,988**	**2,942**	**6.3%**
School Aid	17,825	19,587	1,762	9.9%	21,597	2,010	10.3%	23,157	1,560	7.2%
Medicaid (including administration)	8,253	9,792	1,539	18.6%	10,864	1,072	10.9%	11,589	725	6.7%
Medicaid: Local Relief	943	1,201	258	27.4%	1,542	341	28.4%	1,923	381	
Mental Hygiene	2,062	2,149	87	4.2%	2,198	49	2.3%	2,261	63	2.9%
Children and Family Services	1,762	1,911	149	8.5%	2,096	185	9.7%	2,246	150	7.2%
Local Government Assistance	1,242	1,405	163	13.1%	1,482	77	5.5%	1,478	(4)	-0.3%
Higher Education	2,461	2,538	77	3.1%	2,600	62	2.4%	2,621	21	0.8%
Public Health	628	723	95	15.1%	778	55	7.6%	806	28	3.6%
Other Education Aid	1,762	1,798	36	2.0%	1,854	56	3.1%	1,917	63	3.4%
Temporary and Disability Assistance	1,213	1,279	66	5.4%	1,280	1	0.1%	1,283	3	0.2%
Transportation	110	103	(7)	-6.4%	103	0	0.0%	103	0	0.0%
All Other	865	650	(215)	-24.9%	652	2	0.3%	604	(48)	-7.4%
State Operations:	**8,662**	**9,100**	**438**	**5.1%**	**9,664**	**564**	**6.2%**	**9,909**	**245**	**2.5%**
Personal Service	6,275	6,570	295	4.7%	7,019	449	6.8%	7,200	181	2.6%
Non-Personal Service	2,387	2,530	143	6.0%	2,645	115	4.5%	2,709	64	2.4%
General State Charges	**3,023**	**3,848**	**825**	**27.3%**	**4,039**	**191**	**5.0%**	**4,336**	**297**	**7.4%**
Pensions	1,054	1,287	233	22.1%	1,285	(2)	-0.2%	1,342	57	4.4%
Health Insurance (Active Employees)	1,652	1,790	138	8.4%	1,950	160	8.9%	2,127	177	9.1%
Health Insurance (Retired Employees)	1,039	1,129	90	8.7%	1,233	104	9.2%	1,347	114	9.2%
Medicaid Adjustment	(1,458)	(1,113)	345		(1,219)	(106)		(1,297)	(78)	
All Other	736	755	19	2.6%	790	35	4.6%	817	27	3.4%
Transfers to Other Funds:	**5,550**	**6,029**	**479**	**8.6%**	**6,778**	**749**	**12.4%**	**7,353**	**575**	**8.5%**
Debt Service	1,692	1,680	(12)	-0.7%	1,706	26	1.5%	1,673	(33)	-1.9%
Capital Projects	433	680	247	57.0%	1,046	366	53.8%	1,099	53	5.1%
All Other	3,425	3,669	244	7.1%	4,026	357	9.7%	4,581	555	13.8%
TOTAL DISBURSEMENTS	**56,361**	**62,113**	**5,752**	**10.2%**	**67,527**	**5,414**	**8.7%**	**71,586**	**4,059**	**6.0%**

Grants to Local Governments

Annual growth in local assistance is driven primarily by School Aid, Medicaid, local government assistance, other education aid and children and family services. The following table summarizes some of the factors that affect the local assistance projections over the Financial Plan period.

Forecast for Selected Program Measures Affecting Local Assistance
(millions of dollars, where applicable)

	Actual		Forecast			
	2006-07	2007-08*	2008-09	2009-10	2010-11	2011-12
Medicaid						
Medicaid Enrollment	3,608,075	3,581,311	3,665,541	3,746,047	3,994,438	4,149,548
Family Health Plus Enrollment	514,058	525,596	545,996	563,084	605,390	605,390
Child Health Plus Enrollment	388,187	360,436	444,044	494,112	499,053	504,043
Medicaid Inflation	2.4%	2.0%	2.9%	3.0%	3.0%	3.0%
Medicaid Utilization	1.1%	-3.9%	-4.5%	4.4%	4.2%	4.4%
State Takeover of County/NYC Costs (Total)	$622	$667	$943	$1,201	$1,542	$1,923
- Family Health Plus	$424	$432	$457	$470	$487	$487
- Medicaid*	$198	$235	$486	$731	$1,055	$1,436
Education						
School Aid (School Year)	$17,835	$19,650	$21,395	$23,200	$25,750	$27,300
K-12 Enrollment	2,783,153	2,747,606	2,747,606	2,747,606	2,747,606	2,747,606
Public Higher Education Enrollment (FTEs)	499,082	512,362	518,431	525,408	529,133	533,021
TAP Recipients	320,930	312,779	311,036	312,536	314,286	315,786
Welfare						
Family Assistance Caseload	402,348	348,901	339,686	344,328	331,340	329,517
Single Adult/No Children Caseload	158,513	158,576	166,597	172,876	179,708	186,053
Mental Hygiene						
Mental Hygiene Community Beds	81,737	85,058	87,731	90,520	92,614	95,332

**Unaudited Year-End Results*

Medicaid

General Fund spending for Medicaid is expected to grow by $1.8 billion in 2009-10, $1.4 billion in 2010-11, and another $1.6 billion in 2011-12.

Medicaid growth results, in part, from the combination of projected increases in recipients, service utilization, and medical care cost inflation that impact nearly all categories of service (e.g., hospitals, nursing homes). The State cap on local Medicaid costs and takeover of local FHP costs, which are included in base categories of service, are projected to increase spending by $276 million in 2008-09, $258 million in 2009-10, and $341 million in 2010-11. In 2009-10, an extra weekly payment to providers adds an estimated $300 million in base spending across all categories of service. The remaining growth is primarily attributed to the available resources in other State Funds which are used to lower General Fund costs, including lower levels of HCRA financing beginning in 2008-09.

The average number of Medicaid recipients is expected to grow to 3.7 million in 2008-09, an increase of 2.4 percent from the estimated 2007-08 caseload of 3.6 million. FHP enrollment is estimated to grow to approximately 546,000 individuals in 2008-09, an increase of 3.8 percent over projected 2007-08 enrollment of almost 526,000 individuals.

School Aid

Multi-Year School Aid Projection -- School-Year Basis (millions of dollars)

	2007-08	2008-09	Annual $ Change	2009-10	Annual $ Change	2010-11	Annual $ Change	2011-12	Annual $ Change
Foundation Aid/Academic Achievement Grant	13,745	14,862	1,117	16,200	1,338	18,050	1,850	18,750	700
Universal Pre-kindergarten	354	451	97	540	89	630	90	655	25
High Tax Aid	100	202	102	100	(102)	100	0	100	0
EXCEL Building Aid	70	135	65	179	44	191	12	191	0
Expense-Based Aids (Building, Transportation, High Cost and Private Excess Cost, BOCES)	4,717	5,080	363	5,487	407	5,941	454	6,421	480
Other Aid Categories/Initiatives	664	665	1	694	29	838	144	1,183	345
Total School Aid	**19,650**	**21,395**	**1,745**	**23,200**	**1,805**	**25,750**	**2,550**	**27,300**	**1,550**

Projected School Aid increases are primarily due to increases in Foundation Aid; Universal Pre-kindergarten expansion; and increases in expense-based aids such as Building Aid and Transportation Aid. Increased funding in 2008-09 for High Tax Aid and several other aid categories is provided on a one-year basis and not continued in the out-years.

On a school-year basis, School Aid is projected at $23.2 billion in 2009-10, $25.8 billion in 2010-11, and $27.3 billion in 2011-12. On a School Year basis, School Aid spending is projected to grow by $1.8 billion in 2009-10, $2.6 billion in 2010-11, and $1.6 billion in 2011-12. Outside the General Fund, revenues from core lottery sales are projected to increase by $99 million in 2009-10, $74 million in 2010-11, and $108 million in 2011-12 (totaling $2.5 billion in 2011-12). Revenues from VLTs are projected to total $731 million in 2008-09, then decrease by $144 million in 2009-10 following the expected one-time receipt of $250 million in revenues during 2008-09 for the sale of development rights. They are then projected to increase by $219 million in 2010-11 and $196 million in 2011-12. VLTs are expected to total $1.0 billion in 2011-12. The VLT estimates assume the start of operations at Aqueduct in 2009-10 and Belmont in 2010-11.

Mental Hygiene

Mental Hygiene spending is projected at $2.1 billion in 2009-10, $2.2 billion in 2010- 11, and $2.3 billion in 2011-12. Sources of growth include: increases in the projected State share of Medicaid costs; cost-of-living increases, including a proposed three-year extension of the human services COLA; and projected expansions of the various mental hygiene service systems including OMH's children's services; increases in the NYS-CARES program and in the development of children's beds in OMRDD to bring children back from out-of-state placements; the NY/NY III Supportive Housing agreement and community bed expansion in OMH; and certain chemical dependence treatment and prevention initiatives in OASAS.

Children and Family Services

Children and Family Services local assistance spending is projected to grow by $149 million in 2009-10, $185 million in 2010-11 and $150 million in 2011-12. The increases are driven primarily by expected growth in local child welfare claims, the implementation of the OCFS Medicaid waiver, and cost-of-living increases for human services providers through 2011-12.

Temporary and Disability Assistance

Spending is projected at $1.3 billion in 2009-10, an increase of $66 million from 2008-09, and is expected at the same level through 2011-12. Although public assistance caseload is projected to increase marginally between 2009-10 and 2011-12, this spending is countered by an expected increase in Federal offsets, which decrease the level of General Fund resources needed.

Other Local Assistance

All other local assistance programs total $4.7 billion in 2009-10, an increase of $195 million over 2008-09 levels. This growth in spending primarily reflects increases in local government assistance including unrestricted aid to New York City ($82 million), additional payments for AIM and Local Government Efficiency Grants ($71 million), various public health program costs, and other education aid. This growth is partially offset by declines in the Division of Military and Naval Affairs and Labor.

STATE OPERATIONS

Forecast of Selected Program Measures Affecting State Operations

	Actual		Forecast			
	2006-07	**2007-08***	**2008-09**	**2009-10**	**2010-11**	**2011-12**
State Operations						
Prison Population (Corrections)	63,577	62,800	62,200	61,800	61,600	61,400
Negotiated Salary Increases (1)	3.0%	3.0%	3.0%	3.0%	4.0%	0.0%
Personal Service Inflation	0.8%	1.0%	1.0%	1.0%	1.0%	1.0%
State Workforce	195,526	199,754	201,170	201,170	201,170	201,170

**Unaudited Year-End Results*

(1) *Negotiated salary increases reflect recent labor settlements included in the Financial Plan estimates*

State Operations spending is expected to total $9.1 billion in 2009-10, an annual increase of $438 million (5.1 percent). In 2010-11, spending is projected to grow by another $564 million (6.2 percent) to a total of $9.7 billion, followed by another $245 million (2.5 percent) for a total of $9.9 billion in 2011-12. Across-the-board reductions are projected to reduce State Operations spending levels by $524 million in all years, a 5.5 percent reduction from 2007-08 spending levels. The net personal service growth primarily reflects the impact of the settled labor contracts. In addition, salary adjustments for performance advances, longevity payments and promotions; and increased staffing levels, primarily in Judiciary and Correctional Services drive spending growth. Inflationary increases for non-personal service costs result in higher spending in all years. Additional growth is driven by spending for ongoing initiatives, including the civil commitment program for sexual offenders, and medical and pharmacy costs in the areas of mental hygiene and corrections. The agencies experiencing the most significant personal service and non-personal service growth are depicted in the charts below, followed by brief descriptions.

Personal Service

General Fund - Personal Service (millions of dollars)	2008-09	2009-10	Annual $ Change	2010-11	Annual $ Change	2011-12	Annual $ Change
Total	**6,275**	**6,570**	**295**	**7,019**	**449**	**7,201**	**182**
Collective Bargaining	620	775	155	1,155	380	1,155	0
Management Plan	(228)	(228)	0	(227)	1	(227)	0
Correctional Services	1,830	1,875	45	1,915	40	1,934	19
Judiciary	1,355	1,474	119	1,603	129	1,740	137
All Other	2,698	2,674	(24)	2,573	(101)	2,599	26

- **Collective Bargaining:** Reflects the impact of settled labor negotiations which provide a 3 percent salary increase each year beginning in 2007-08 and a 4 percent increase in the final year (2010-11).

- **Correctional Services:** Growth is attributable primarily to the Sex Offender Management and Treatment Act, the restricted use of special housing units for mentally ill inmates, and re-entry services for inmates who will be released to the community, thus driving higher workforce levels and costs.

- **Judiciary:** Reflects Office of Court Administration (OCA) projections for non-judicial OCA employees, as well as the annualization of prior-year Judiciary actions, including increasing the number of full-time judges and adding Court of Claims and Family Judges.

Non-Personal Service

General Fund - Non-Personal Service (millions of dollars)	2008-09	2009-10	Annual $ Change	20010-11	Annual $ Change	2011-12	Annual $ Change
Total	**2,387**	**2,530**	**143**	**2,645**	**115**	**2,709**	**64**
Management Plan	(296)	(295)	1	(295)	0	(295)	0
Correctional Services	636	674	38	713	39	756	43
State Police	60	83	23	83	0	82	(1)
Public Health	123	142	19	161	19	165	4
Temporary and Disability Assistance	36	53	17	54	1	57	3
State University	438	452	14	470	18	490	20
All Other	1,094	1,126	32	1,164	38	1,159	(5)

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

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

- **Public Health:** Growth is largely driven by the annualization of the Enacted Budget action providing funding for the State to directly enroll individuals into Medicaid, CHP and FHP.

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

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

General State Charges

Forecast of Selected Program Measures Affecting General State Charges

	Actual		Forecast			
	2006-07	2007-08*	2008-09	2009-10	2010-11	2011-12
General State Charges						
Pension Contribution Rate as % of Salary	10.2%	9.7%	8.8%	9.0%	9.0%	9.3%
Employee/Retiree Health Insurance Growth Rates	10.3%	5.4%	5.5%	9.5%	9.5%	9.5%

**Unaudited Year-End Results*

General State Charges are projected to total $3.9 billion in 2009-10, $4.0 billion in 2010-11 and $4.3 billion in 2011-12. The annual increases are due mainly to anticipated cost increases in pensions and health insurance for State employees and retirees.

The State's pension contribution rate to the New York State and Local Retirement System, which is 8.8 percent for 2008-09, is expected to increase to 9.0 percent for 2009-10 and 2010-11 and to 9.3 percent in 2011-12. Pension costs in 2009-10 are projected to total $1.3 billion, an increase of $233 million over 2008-09 due to projected growth in the salary base. This large growth is also caused by the prepayment of the State's 2008-09 amortization costs in 2007-08. In 2010-11, pension costs are expected to remain virtually unchanged. In 2011-12, they are expected to increase by $57 million due to an anticipated increase in the State contribution rate.

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

	Health Insurance		
Year	Active Employees	Retirees	Total State
2006-07	1,518	913	2,431
2007-08	1,566	988	2,554
2008-09	1,652	1,039	2,691
2009-10	1,790	1,129	2,919
2010-11	1,950	1,233	3,183
2011-12	2,127	1,347	3,474

All numbers reflect the cost of health insurance for General State Charges (Executive and Legislative branches) and the Office of Court Administration.

Spending for employee and retiree health care costs is expected to increase by $228 million in 2009-10, $264 million in 2010-11, and another $291 million in 2011-12 and assumes an average annual premium increase of roughly 9.5 percent. Health insurance is projected at $2.9 billion in 2009-10 ($1.8 billion for active employees and $1.1 billion for retired employees), $3.2 billion in 2010-11 ($2.0 billion for active employees and $1.2 billion for retired employees) and $3.4 billion in 2011-12 ($2.1 billion for active employees and $1.3 billion for retired employees).

See discussion of the Governmental Accounting Standards Board (GASB) 45 later in this AIS for the valuation of future State health insurance costs for State employees.

Transfers to Other Funds

Out-Year Disbursement Projections - Transfers to Other Funds (millions of dollars)

	2008-09	2009-10	Annual Change	2010-11	Annual Change	2011-12	Annual Change
Transfers to Other Funds:	**5,550**	**6,029**	**479**	**6,778**	**749**	**7,353**	**575**
Debt Service	1,692	1,680	(12)	1,706	26	1,673	(33)
Capital Projects	433	680	247	1,046	366	1,099	53
Dedicated Highway and Bridge Trust Fund	192	313	121	698	385	792	94
All Other Capital	241	367	126	348	(19)	307	(41)
All Other Transfers	3,425	3,669	244	4,026	357	4,581	555
State Share Medicaid Costs	2,655	2,632	(23)	2,678	46	2,701	23
Mental Hygiene Operations	0	170	170	464	294	572	108
Medicaid Payments for State Facility Patients	174	174	0	174	0	174	0
Judiciary Funds	156	148	(8)	158	10	165	7
HCRA	0	0	0	0	0	466	466
SUNY- Hospital Operations	141	159	18	167	8	167	0
Banking Services	66	66	0	66	0	66	0
Empire State Stem Cell Trust Fund	3	35	32	47	12	0	(47)
Statewide Financial System	0	30	30	35	5	30	(5)
All Other	230	255	25	237	(18)	240	3

In 2009-10, transfers to other funds are estimated at $6.0 billion, an increase of $479 million over 2008-09. This increase includes potential transfers to the Dedicated Highway and Bridge Trust Fund aimed at reducing fund gaps and an increase in other capital transfers of $126 million.

All other transfers are expected to increase by $244 million from 2008-09. The most significant change includes an increase in transfers to supplement resources available for the Mental Hygiene system. In addition transfers are increasing for the State's SUNY subsidy to hospitals and funding for the State's financial management system. General Fund transfers for stem cell research increase in 2009-10 and decline in 2011-12 as support is transitioned from the General Fund to the Health Care Resources Fund beginning in 2009-10.

In 2010-11, transfers to other funds are expected to increase by $749 million. This reflects expected growth in General Fund support to the Dedicated Highway and Bridge Trust Fund and Medicaid related spending in State Operated Mental Hygiene facilities. In 2011-12 transfers are expected to increase by

$575 million, mainly to provide subsidies to HCRA, the Dedicated Highway and Bridge Trust Fund, and Mental Hygiene facility Medicaid related spending.

Financial Plan Reserves

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

The State projects that General Fund reserves will total $2.0 billion at the end of 2008-09, with $1.2 billion in undesignated reserves available to deal with unforeseen contingencies and $804 million designated for subsequent use.

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

The designated reserves consist of $445 million set aside for labor settlements (after the use of $620 million for existing settlements in 2008-09), $237 million in the Community Projects Fund to finance existing "member-item" initiatives, and $122 million set aside for the debt management purposes.

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

Cash Flow Forecast

In 2008-09, the General Fund is projected to have quarterly-ending balances of $3.8 billion in June 2008, $5.2 billion in September 2008, $799 million in December 2008, and $2.0 billion at the end of March 2009. The lowest projected month-end cash flow balance is in December 2008. DOB's detailed monthly cash flow projections for 2007-08, 2008-09, and 2009-10 are set forth in the Financial Plan Tables.

The Office of the State Comptroller (OSC) invests General Fund moneys, bond proceeds, and other funds not immediately required to make payments through the Short-Term Investment Pool (STIP), which comprises joint custody funds (Governmental Funds, Internal Service Funds, Enterprise Funds and Private Purpose Trust Funds), as well as several sole custody funds including the Tobacco Settlement Fund.

OSC is authorized to make short-term loans from STIP to cover temporary cash shortfalls in certain funds and accounts resulting from the timing of receipts and disbursements. The Legislature authorizes the funds and accounts that may receive loans each year, based on legislation submitted with the Executive Budget. Loans may be granted only for amounts that the Director of the Budget certifies are "receivable on account" or can be repaid from the current operating receipts of the fund (i.e., loans cannot be granted in expectation of future revenue enhancements).

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

	2007-2008 Year-End*	2008-2009 Enacted	Annual Change
Opening fund balance	3,045	2,754	(291)
Receipts:			
Taxes:			
Personal income tax	22,759	23,920	1,161
User taxes and fees	8,555	8,937	382
Business taxes	6,018	6,559	541
Other taxes	1,063	1,194	131
Miscellaneous receipts	2,458	2,505	47
Federal grants	69	41	(28)
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,473	8,583	110
Sales tax in excess of LGAC debt service	2,358	2,355	(3)
Real estate taxes in excess of CW/CA debt service	682	597	(85)
All other transfers	659	947	288
Total receipts	53,094	55,638	2,544
Disbursements:			
Grants to local governments	36,412	39,126	2,714
State operations	9,579	8,662	(917)
General State charges	4,620	3,023	(1,597)
Transfers to other funds:			0
Debt service	1,548	1,692	144
Capital projects	141	433	292
Other purposes	1,085	3,425	2,340
Total disbursements	53,385	56,361	2,976
Change in fund balance	(291)	(723)	(432)
Closing fund balance	2,754	2,031	(723)
Reserves			
Tax Stabilization Reserve Fund	1,031	1,031	0
Statutory Rainy Day Reserve Fund	175	175	0
Contingency Reserve Fund	21	21	0
Community Projects Fund	340	237	(103)
Refund Reserve Account**	1,187	567	(620)

Source: NYS DOB

**Unaudited Year-end Results*

**At the end of 2007-08, DOB designated $1.065 billion of Refund Reserve Account balance for labor settlements and other risks, and $122 million for debt reduction management. At the end of 2008-09, DOB expects to have reserved $445 million of the Refund Reserve Account balance for labor settlements and other risks, and $122 million for debt reduction management.

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

	2008-2009 Enacted	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
Receipts:				
Taxes:				
Personal income tax	23,920	24,816	26,333	28,229
User taxes and fees	8,937	9,258	9,601	9,975
Business taxes	6,559	6,925	7,047	7,190
Other taxes	1,194	1,325	1,408	1,498
Miscellaneous receipts	2,505	2,470	2,471	2,234
Federal grants	41	0	0	0
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	8,583	8,782	9,215	9,705
Sales tax in excess of LGAC debt service	2,355	2,454	2,561	2,682
Real estate taxes in excess of CW/CA debt service	597	582	610	664
All other transfers	947	533	528	567
Total receipts	55,638	57,145	59,774	62,744
Disbursements:				
Grants to local governments	39,126	43,136	47,046	49,988
State operations	8,662	9,100	9,664	9,909
General State charges	3,023	3,848	4,039	4,336
Transfers to other funds:				
Debt service	1,692	1,680	1,706	1,673
Capital projects	433	680	1,046	1,099
Other purposes	3,425	3,669	4,026	4,581
Total disbursements	56,361	62,113	67,527	71,586
Deposit to/(use of) Community Projects Fund	(103)	48	(22)	(80)
Deposit to/(use of) Prior Year Reserves	(620)	0	0	0
Margin	0	(5,016)	(7,731)	(8,762)

Source: NYS DOB

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

	21-Day	Change	Enacted
Opening fund balance	2,626	128	2,754
Receipts:			
Taxes:			
Personal income tax	24,205	(285)	23,920
User taxes and fees	8,832	105	8,937
Business taxes	7,127	(568)	6,559
Other taxes	1,194	0	1,194
Miscellaneous receipts	2,242	263	2,505
Federal Grants	41	0	41
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,694	(111)	8,583
Sales tax in excess of LGAC debt service	2,310	45	2,355
Real estate taxes in excess of CW/CA debt service	615	(18)	597
All other	724	223	947
Total receipts	55,984	(346)	55,638
Disbursements:			
Grants to local governments	41,608	(2,482)	39,126
State operations	8,851	(189)	8,662
General State charges	3,033	(10)	3,023
Transfers to other funds:			
Debt service	1,692	0	1,692
Capital projects	381	52	433
Other purposes	819	2,606	3,425
Total disbursements	56,384	(23)	56,361
Change in fund balance	(400)	(323)	(723)
Closing fund balance	2,226	(195)	2,031
Reserves			
Tax Stabilization Reserve Fund	1,031	0	1,031
Statutory Rainy Day Reserve Fund	175	0	175
Contingency Reserve Fund	21	0	21
Community Projects Fund	291	(54)	237
Debt Reduction Reserve Fund	0	122	122
Labor Settlement Reserve/Other Risks	708	(263)	445

Source: NYS DOB

CURRENT STATE RECEIPTS
GENERAL FUND
2007-2008 and 2008-2009
(millions of dollars)

	2007-2008 Year-End*	2008-2009 Enacted	Annual Change
Personal income tax	22,759	23,920	1,161
User taxes and fees	8,555	8,937	382
Sales and use tax	7,945	8,186	241
Cigarette and tobacco taxes	409	433	24
Motor vehicle fees	(51)	61	112
Alcoholic beverages taxes	205	209	4
Alcoholic beverage control license fees	47	48	1
Business taxes	6,018	6,559	541
Corporation franchise tax	3,446	3,706	260
Corporation and utilities tax	603	613	10
Insurance taxes	1,089	1,171	82
Bank tax	880	1,069	189
Petroleum business tax	0	0	0
Other taxes	1,063	1,194	131
Estate tax	1,037	1,170	133
Gift tax	1	0	(1)
Real property gains tax	1	0	(1)
Pari-mutuel taxes	23	23	0
Other taxes	1	1	0
Total taxes	38,395	40,610	2,215
Miscellaneous receipts	2,458	2,505	47
Federal Grants	69	41	(28)
Total	40,922	43,156	2,234

Source: NYS DOB
**Unaudited Year-end Results*

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2007-2008*
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	3,045	3,671	233	6,949
Receipts:				
Taxes	38,395	7,834	12,595	58,824
Miscellaneous receipts	2,458	13,403	842	16,703
Federal grants	69	0	0	69
Total receipts	40,922	21,237	13,437	75,596
Disbursements:				
Grants to local governments	36,412	16,157	0	52,569
State operations	9,579	5,457	32	15,068
General State charges	4,620	632	0	5,252
Debt service	0	0	4,104	4,104
Capital projects	0	8	0	8
Total disbursements	50,611	22,254	4,136	77,001
Other financing sources (uses):				
Transfers from other funds	12,172	1,579	5,434	19,185
Transfers to other funds	(2,774)	(713)	(14,683)	(18,170)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	9,398	866	(9,249)	1,015
Change in fund balance	(291)	(151)	52	(390)
Closing fund balance	2,754	3,520	285	6,559

Source: NYS DOB
**Unaudited Year-end Results*

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

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,754	3,520	285	6,559
Receipts:				
Taxes	40,610	8,200	12,984	61,794
Miscellaneous receipts	2,505	13,341	941	16,787
Federal grants	41	1	0	42
Total receipts	43,156	21,542	13,925	78,623
Disbursements:				
Grants to local governments	39,126	17,230	0	56,356
State operations	8,662	6,540	61	15,263
General State charges	3,023	1,565	0	4,588
Debt service	0	0	4,652	4,652
Capital projects	0	3	0	3
Total disbursements	50,811	25,338	4,713	80,862
Other financing sources (uses):				
Transfers from other funds	12,482	3,987	5,641	22,110
Transfers to other funds	(5,550)	(963)	(14,785)	(21,298)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	6,932	3,024	(9,144)	812
Deposit to/(use of) Community Projects Fund	(103)	0	0	(103)
Deposit to/(use of) Prior Year Reserves	(620)	0	0	(620)
Change in fund balance	0	(772)	68	(704)
Closing fund balance	2,031	2,748	353	5,132

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,748	353	3,101
Receipts:				
Taxes	42,324	8,992	13,590	64,906
Miscellaneous receipts	2,470	13,250	897	16,617
Federal grants	0	1	0	1
Total receipts	44,794	22,243	14,487	81,524
Disbursements:				
Grants to local governments	43,136	18,010	0	61,146
State operations	9,100	6,706	61	15,867
General State charges	3,848	1,182	0	5,030
Debt service	0	0	5,158	5,158
Capital projects	0	3	0	3
Total disbursements	56,084	25,901	5,219	87,204
Other financing sources (uses):				
Transfers from other funds	12,351	4,057	5,741	22,149
Transfers to other funds	(6,029)	(739)	(14,950)	(21,718)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	6,322	3,318	(9,209)	431
Deposit to/(use of) Community Projects Fund	48	0	0	48
Change in fund balance	(5,016)	(340)	59	(5,297)
Closing fund balance	(5,016)	2,408	412	(2,196)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,408	412	2,820
Receipts:				
Taxes	44,389	9,555	14,403	68,347
Miscellaneous receipts	2,471	13,664	933	17,068
Federal grants	0	1	0	1
Total receipts	46,860	23,220	15,336	85,416
Disbursements:				
Grants to local governments	47,046	18,664	0	65,710
State operations	9,664	6,908	61	16,633
General State charges	4,039	1,255	0	5,294
Debt service	0	0	5,803	5,803
Capital projects	0	2	0	2
Total disbursements	60,749	26,829	5,864	93,442
Other financing sources (uses):				
Transfers from other funds	12,914	4,321	6,155	23,390
Transfers to other funds	(6,778)	(822)	(15,562)	(23,162)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	6,136	3,499	(9,407)	228
Deposit to/(use of) Community Projects Fund	(22)	0	0	(22)
Change in fund balance	(7,731)	(110)	65	(7,776)
Closing fund balance	(7,731)	2,298	477	(4,956)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,298	477	2,775
Receipts:				
Taxes	46,892	9,896	15,290	72,078
Miscellaneous receipts	2,234	13,948	975	17,157
Federal grants	0	1	0	1
Total receipts	49,126	23,845	16,265	89,236
Disbursements:				
Grants to local governments	49,988	19,784	0	69,772
State operations	9,909	6,929	61	16,899
General State charges	4,336	1,306	0	5,642
Debt service	0	0	6,146	6,146
Capital projects	0	2	0	2
Total disbursements	64,233	28,021	6,207	98,461
Other financing sources (uses):				
Transfers from other funds	13,618	4,904	6,266	24,788
Transfers to other funds	(7,353)	(861)	(16,241)	(24,455)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	6,265	4,043	(9,975)	333
Deposit to/(use of) Community Projects Fund	(80)	0	0	(80)
Change in fund balance	(8,762)	(133)	83	(8,812)
Closing fund balance	(8,762)	2,165	560	(6,037)

Source: NYS DOB

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2007-2008*
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	3,045	4,007	(432)	233	6,853
Receipts:					
Taxes	38,395	7,834	2,047	12,595	60,871
Miscellaneous receipts	2,458	13,605	2,735	842	19,640
Federal grants	69	33,095	1,745	0	34,909
Total receipts	40,922	54,534	6,527	13,437	115,420
Disbursements:					
Grants to local governments	36,412	45,704	1,079	0	83,195
State operations	9,579	8,610	0	32	18,221
General State charges	4,620	856	0	0	5,476
Debt service	0	0	0	4,104	4,104
Capital projects	0	8	5,052	0	5,060
Total disbursements	50,611	55,178	6,131	4,136	116,056
Other financing sources (uses):					
Transfers from other funds	12,172	4,000	272	5,434	21,878
Transfers to other funds	(2,774)	(3,484)	(939)	(14,683)	(21,880)
Bond and note proceeds	0	0	269	0	269
Net other financing sources (uses)	9,398	516	(398)	(9,249)	267
Change in fund balance	(291)	(128)	(2)	52	(369)
Closing fund balance	2,754	3,879	(434)	285	6,484

Source: NYS DOB
**Unaudited Year-end Results*

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,754	3,879	(434)	285	6,484
Receipts:					
Taxes	40,610	8,200	2,110	12,984	63,904
Miscellaneous receipts	2,505	13,461	3,177	941	20,084
Federal grants	41	33,922	1,993	0	35,956
Total receipts	43,156	55,583	7,280	13,925	119,944
Disbursements:					
Grants to local governments	39,126	46,579	571	0	86,276
State operations	8,662	10,014	0	61	18,737
General State charges	3,023	2,406	0	0	5,429
Debt service	0	0	0	4,652	4,652
Capital projects	0	3	6,509	0	6,512
Total disbursements	50,811	59,002	7,080	4,713	121,606
Other financing sources (uses):					
Transfers from other funds	12,482	6,545	613	5,641	25,281
Transfers to other funds	(5,550)	(3,801)	(1,235)	(14,785)	(25,371)
Bond and note proceeds	0	0	473	0	473
Net other financing sources (uses)	6,932	2,744	(149)	(9,144)	383
Deposit to/(use of) Community Projects Fund	(103)	0	0	0	(103)
Deposit to/(use of) Prior Year Reserves	(620)	0	0	0	(620)
Change in fund balance	0	(675)	51	68	(556)
Closing fund balance	2,031	3,204	(383)	353	5,205

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	3,204	(383)	353	3,174
Receipts:					
Taxes	42,324	8,992	2,182	13,590	67,088
Miscellaneous receipts	2,470	13,360	4,238	897	20,965
Federal grants	0	35,034	2,000	0	37,034
Total receipts	44,794	57,386	8,420	14,487	125,087
Disbursements:					
Grants to local governments	43,136	48,616	625	0	92,377
State operations	9,100	10,235	0	61	19,396
General State charges	3,848	2,091	0	0	5,939
Debt service	0	0	0	5,158	5,158
Capital projects	0	3	7,923	0	7,926
Total disbursements	56,084	60,945	8,548	5,219	130,796
Other financing sources (uses):					
Transfers from other funds	12,351	6,670	915	5,741	25,677
Transfers to other funds	(6,029)	(3,554)	(1,168)	(14,950)	(25,701)
Bond and note proceeds	0	0	617	0	617
Net other financing sources (uses)	6,322	3,116	364	(9,209)	593
Deposit to/(use of) Community Projects Fund	48	0	0	0	48
Change in fund balance	(5,016)	(443)	236	59	(5,164)
Closing fund balance	(5,016)	2,761	(147)	412	(1,990)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,761	(147)	412	3,026
Receipts:					
Taxes	44,389	9,555	2,184	14,403	70,531
Miscellaneous receipts	2,471	13,774	3,892	933	21,070
Federal grants	0	36,122	1,953	0	38,075
Total receipts	46,860	59,451	8,029	15,336	129,676
Disbursements:					
Grants to local governments	47,046	50,276	631	0	97,953
State operations	9,664	10,621	0	61	20,346
General State charges	4,039	2,237	0	0	6,276
Debt service	0	0	0	5,803	5,803
Capital projects	0	2	7,654	0	7,656
Total disbursements	60,749	63,136	8,285	5,864	138,034
Other financing sources (uses):					
Transfers from other funds	12,914	7,071	1,362	6,155	27,502
Transfers to other funds	(6,778)	(3,683)	(1,509)	(15,562)	(27,532)
Bond and note proceeds	0	0	660	0	660
Net other financing sources (uses)	6,136	3,388	513	(9,407)	630
Deposit to/(use of) Community Projects Fund	(22)	0	0	0	(22)
Change in fund balance	(7,731)	(297)	257	65	(7,706)
Closing fund balance	(7,731)	2,464	110	477	(4,680)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,464	110	477	3,051
Receipts:					
Taxes	46,892	9,896	2,198	15,290	74,276
Miscellaneous receipts	2,234	14,058	3,770	975	21,037
Federal grants	0	37,818	1,921	0	39,739
Total receipts	49,126	61,772	7,889	16,265	135,052
Disbursements:					
Grants to local governments	49,988	53,064	634	0	103,686
State operations	9,909	10,675	0	61	20,645
General State charges	4,336	2,337	0	0	6,673
Debt service	0	0	0	6,146	6,146
Capital projects	0	2	7,348	0	7,350
Total disbursements	64,233	66,078	7,982	6,207	144,500
Other financing sources (uses):					
Transfers from other funds	13,618	7,640	1,401	6,266	28,925
Transfers to other funds	(7,353)	(3,745)	(1,593)	(16,241)	(28,932)
Bond and note proceeds	0	0	513	0	513
Net other financing sources (uses)	6,265	3,895	321	(9,975)	506
Deposit to/(use of) Community Projects Fund	(80)	0	0	0	(80)
Change in fund balance	(8,762)	(411)	228	83	(8,862)
Closing fund balance	(8,762)	2,053	338	560	(5,811)

Source: NYS DOB

CASHFLOW
GENERAL FUND
2008-2009
(dollars in millions)

	2008 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2009 January Projected	February Projected	March Projected	Total
OPENING BALANCE	2,754	7,484	3,270	3,786	3,502	3,682	5,222	3,875	1,239	799	5,445	4,861	2,754
RECEIPTS:													
Personal Income Tax	5,457	831	2,234	1,518	1,553	2,047	598	(56)	1,362	4,997	1,563	1,816	23,920
User Taxes and Fees	642	656	903	690	664	896	658	702	906	723	618	879	8,937
Business Taxes	194	54	1,240	125	141	1,320	111	78	1,176	97	162	1,861	6,559
Other Taxes	99	99	100	100	101	101	99	99	99	99	99	99	1,194
Total Taxes	6,392	1,640	4,477	2,433	2,459	4,364	1,466	823	3,543	5,916	2,442	4,655	40,610
Licenses, fees, etc.	30	63	46	29	63	44	54	51	35	40	54	62	571
Abandoned Property	20	0	18	17	10	56	15	184	41	74	61	255	751
Reimbursement	4	11	24	5	14	22	13	10	24	7	12	27	173
Investment income	35	7	25	24	(7)	6	53	16	5	25	0	11	200
Other transactions	30	36	156	47	57	59	41	34	57	37	33	223	810
Total Miscellaneous Receipts	119	117	269	122	137	187	176	295	162	183	160	578	2,505
Federal Grants	0	11	4	0	4	0	9	9	0	4	0	0	41
PIT in excess of Revenue Bond Debt Service	1,818	206	873	525	350	942	600	35	877	1,419	143	795	8,583
Sales Tax in Excess of LGAC Debt Service	189	24	447	207	200	211	198	212	278	219	23	147	2,355
Real Estate Taxes in Excess of CW/CA Debt Service	63	56	45	47	57	57	53	40	50	53	39	37	597
All Other	0	0	55	39	1	5	8	5	122	3	1	708	947
Total Transfers from Other Funds	2,070	286	1,420	818	608	1,215	859	292	1,327	1,694	206	1,687	12,482
TOTAL RECEIPTS	8,581	2,054	6,170	3,373	3,208	5,766	2,510	1,419	5,032	7,797	2,808	6,920	55,638
DISBURSEMENTS:													
School Aid	341	2,335	1,891	193	560	1,494	636	1,124	1,609	471	829	6,342	17,825
Higher Education	17	11	490	115	109	93	472	24	249	53	348	479	2,460
All Other Education	14	233	150	221	85	101	101	103	113	178	163	301	1,763
Medicaid - DOH	1,300	893	938	744	359	467	880	867	791	664	567	724	9,194
Public Health	40	53	44	51	37	50	50	46	46	102	22	86	627
Mental Hygiene	73	77	134	142	127	251	137	129	226	233	133	398	2,060
Children and Families	8	125	107	262	103	115	86	87	294	92	96	388	1,763
Temporary & Disability Assistance	126	128	308	156	156	166	(144)	156	168	(144)	125	12	1,213
Transportation	0	14	46	1	14	2	0	13	8	0	12	0	110
All Other	16	42	427	71	58	208	16	59	481	54	53	626	2,111
Total Local Assistance Grants	1,935	3,911	4,535	1,956	1,608	2,947	2,234	2,608	3,985	1,703	2,348	9,356	39,126
Personal Service	669	578	477	684	529	495	615	466	448	521	426	367	6,275
Non-Personal Service	170	206	197	193	209	192	173	160	181	213	198	295	2,387
Total State Operations	839	784	674	877	738	687	788	626	629	734	624	662	8,662
General State Charges	357	1,042	(68)	443	295	(114)	412	285	(53)	325	145	(46)	3,023
Debt Service	228	139	201	36	46	278	22	175	404	3	19	141	1,692
Capital Projects	101	56	54	98	83	111	150	70	221	111	84	(706)	433
Other Purposes	391	336	258	247	258	317	251	291	286	275	172	343	3,425
Total Transfers to Other Funds	720	531	513	381	387	706	423	536	911	389	275	(222)	5,550
TOTAL DISBURSEMENTS	3,851	6,268	5,654	3,657	3,028	4,226	3,857	4,055	5,472	3,151	3,392	9,750	56,361
Excess/(Deficiency) of Receipts over Disbursements	4,730	(4,214)	516	(284)	180	1,540	(1,347)	(2,636)	(440)	4,646	(584)	(2,830)	(723)
CLOSING BALANCE	7,484	3,270	3,786	3,502	3,682	5,222	3,875	1,239	799	5,445	4,861	2,031	2,031

Source: NYS DOB

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

	2007-2008 Actuals*	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT							
Agriculture and Markets, Department of	102,118	0	102,118	108,995	110,443	123,940	111,700
Alcoholic Beverage Control	12,293	0	12,293	13,537	14,098	14,400	14,593
Banking Department	59,154	0	59,154	59,011	60,541	61,783	60,413
Consumer Protection Board	2,982	0	2,982	3,732	3,837	3,965	3,852
Economic Development Capital Programs	138,367	0	138,367	117,450	293,675	234,050	110,599
Economic Development, Department of	42,878	0	42,878	60,974	58,631	58,832	58,931
Empire State Development Corporation	280,348	0	280,348	502,020	1,129,470	708,252	666,721
Energy Research and Development Authority	28,944	0	28,944	29,053	29,192	29,390	29,592
Housing and Community Renewal, Division of	290,439	0	290,439	313,861	289,914	290,806	291,939
Insurance Department	206,046	0	206,046	271,547	268,887	271,082	271,082
Olympic Regional Development Authority	6,543	0	6,543	14,169	8,927	9,147	9,373
Public Service, Department of	50,945	0	50,945	58,823	60,947	63,367	65,216
Science, Technology and Innovation, Foundation for	44,350	0	44,350	37,772	36,913	31,156	32,031
Strategic Investment	9,704	0	9,704	8,000	14,000	14,000	10,376
Functional Total	1,275,111	0	1,275,111	1,598,944	2,379,475	1,914,170	1,736,418
PARKS AND THE ENVIRONMENT							
Adirondack Park Agency	5,289	0	5,289	5,843	5,899	5,978	5,978
Environmental Conservation, Department of	925,887	0	925,887	898,011	912,485	913,532	920,613
Environmental Facilities Corporation	18,500	0	18,500	12,089	7,263	7,563	7,563
Hudson River Park Trust	14,370	0	14,370	20,682	15,000	10,000	0
Parks, Recreation and Historic Preservation, Office of	264,710	0	264,710	322,414	291,870	263,343	261,968
Functional Total	1,228,756	0	1,228,756	1,259,039	1,232,517	1,200,416	1,196,122
TRANSPORTATION							
Motor Vehicles, Department of	272,358	0	272,358	313,588	308,156	321,759	330,062
Thruway Authority	1,245	0	1,245	1,734	1,804	1,876	1,951
Metropolitan Transportation Authority	86,371	0	86,371	160,000	195,300	206,500	194,500
Transportation, Department of	6,144,099	0	6,144,099	6,576,057	6,785,709	6,986,004	7,038,865
Functional Total	6,504,073	0	6,504,073	7,051,379	7,290,969	7,516,139	7,565,378
HEALTH AND SOCIAL WELFARE							
Aging, Office for the	234,593	0	234,593	237,037	244,482	252,818	256,964
Children and Family Services, Office of	2,963,884	0	2,963,884	3,139,271	3,309,081	3,508,959	3,664,291
OCFS	2,963,884	(33,505)	2,930,379	3,095,766	3,243,214	3,397,165	3,531,690
OCFS - Medicaid	0	33,505	33,505	43,505	65,867	111,794	132,601
Health, Department of	36,497,883	0	36,497,883	37,567,315	40,588,072	43,035,036	45,928,866
Medical Assistance	31,040,404	0	31,040,404	31,737,487	34,303,301	36,546,627	39,262,169
Medicaid Administration	838,272	0	838,272	853,000	887,000	922,500	959,250
DOH - Other	4,619,207	0	4,619,207	4,976,828	5,397,771	5,565,909	5,707,447
Health - Medicaid Assistance	0	0		0	0	0	0
Human Rights, Division of	16,007	0	16,007	16,890	17,759	17,898	17,957
Labor, Department of	477,139	0	477,139	502,000	490,728	499,739	507,237
Medicaid Inspector General, Office of	41,501	0	41,501	85,586	90,072	91,395	95,070
Prevention of Domestic Violence, Office for	2,432	0	2,432	2,501	2,532	2,568	2,578
Stem Cell and Innovation	163	0	163	49,950	96,450	93,250	46,600

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

	2007-2008 Actuals*	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
HEALTH AND SOCIAL WELFARE (Continued)							
Temporary and Disability Assistance, Office of	4,718,347	0	4,718,347	4,542,915	4,622,877	4,628,314	4,636,021
Welfare Assistance	3,217,951	0	3,217,951	3,053,619	3,117,868	3,117,781	3,118,781
Welfare Administration	369,646	0	369,646	369,982	371,907	371,907	371,907
All Other	1,130,750	0	1,130,750	1,119,314	1,133,102	1,138,626	1,145,333
Welfare Inspector General, Office of	1,073	0	1,073	1,279	1,319	1,367	1,385
Workers' Compensation Board	156,166	0	156,166	146,112	149,930	154,904	154,904
Functional Total	45,109,188	0	45,109,188	46,290,856	49,613,302	52,286,248	55,311,873
MENTAL HEALTH							
Mental Health, Office of	2,548,566	(43,162)	2,505,404	2,615,089	2,880,892	3,034,587	3,127,134
OMH	2,548,566	(1,380,312)	1,168,254	1,277,939	1,467,186	1,544,340	1,608,375
OMH - Medicaid	0	1,337,150	1,337,150	1,337,150	1,413,706	1,490,247	1,518,759
Mental Hygiene, Department of	237	5,819	6,056	7,500	7,500	7,500	7,500
Mental Retardation and Developmental Disabilities, Office of	3,395,320	46,098	3,441,418	3,481,965	3,688,882	3,844,094	3,930,132
OMRDD	3,395,320	(3,028,003)	367,317	407,864	411,727	419,704	422,650
OMRDD - Medicaid	0	3,074,101	3,074,101	3,074,101	3,277,155	3,424,390	3,507,482
Alcoholism and Substance Abuse Services, Office of	597,901	(8,755)	589,146	614,777	709,353	725,141	741,900
OASAS	597,901	(75,276)	522,625	548,256	642,322	657,533	673,871
OASAS - Medicaid	0	66,521	66,521	66,521	67,031	67,608	68,029
Developmental Disabilities Planning Council	5,022	0	5,022	3,617	3,617	3,617	3,617
Quality of Care for the Mentally Disabled, Commission on	12,661	0	12,661	15,194	16,712	16,887	16,921
Functional Total	6,559,707	0	6,559,707	6,738,142	7,306,956	7,631,826	7,827,204
PUBLIC PROTECTION							
Capital Defenders Office	1,035	0	1,035	388	0	0	0
Correction, Commission of	2,767	0	2,767	2,710	2,766	2,829	2,861
Correctional Services, Department of	2,720,406	0	2,720,406	2,752,368	2,839,663	2,929,267	2,997,976
Crime Victims Board	63,778	0	63,778	61,833	61,989	62,197	62,252
Criminal Justice Services, Division of	294,747	0	294,747	312,170	248,188	245,006	241,841
Homeland Security	63,963	0	63,963	200,324	371,597	298,530	564,310
Investigation, Temporary State Commission of	3,663	0	3,663	4,159	0	0	0
Judicial Commissions	3,925	0	3,925	5,075	5,220	5,367	5,470
Military and Naval Affairs, Division of	441,185	0	441,185	405,548	196,890	162,251	177,294
Parole, Division of	208,618	0	208,618	204,249	217,889	236,316	241,117
Probation and Correctional Alternatives, Division of	74,662	0	74,662	81,581	79,843	79,932	79,622
State Police, Division of	643,054	0	643,054	625,365	626,757	622,456	612,754
Functional Total	4,521,803	0	4,521,803	4,655,770	4,650,802	4,644,151	4,985,497

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

	2007-2008 Actuals*	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
EDUCATION							
Arts, Council on the	53,425	0	53,425	54,617	54,861	54,934	55,032
City University of New York	1,100,593	0	1,100,593	1,281,625	1,341,678	1,408,697	1,436,039
Education, Department of	28,879,203	0	28,879,203	30,876,987	33,342,452	36,280,748	38,486,605
School Aid	21,543,493	(80,000)	21,463,493	23,263,833	24,991,450	27,303,570	29,177,570
School Aid - Medicaid Assistance	0	80,000	80,000	80,000	80,000	80,000	80,000
STAR Property Tax Relief	4,657,721	0	4,657,721	4,692,899	5,383,170	5,909,569	6,195,582
Special Education Categorical Programs	1,623,565	0	1,623,565	1,729,690	1,828,590	1,889,590	1,968,090
All Other	1,054,424	0	1,054,424	1,110,565	1,059,242	1,098,019	1,065,363
Higher Education Services Corporation	950,356	0	950,356	924,791	936,989	939,607	941,163
Higher Education Capital Grants	0	0	0	50,000	40,000	30,000	30,000
State University Construction Fund	12,229	0	12,229	13,857	14,311	14,923	15,069
State University of New York	5,725,371	0	5,725,371	5,852,817	6,016,794	6,198,131	6,244,132
Functional Total	36,721,177	0	36,721,177	39,054,694	41,747,085	44,927,040	47,208,040
GENERAL GOVERNMENT							
Audit and Control, Department of	249,088	0	249,088	264,664	269,326	275,408	277,761
Budget, Division of the	38,216	0	38,216	89,462	84,010	90,181	89,680
Civil Service, Department of	24,868	0	24,868	24,391	25,172	26,222	26,458
Elections, State Board of	14,108	0	14,108	78,157	190,362	9,435	9,552
Employee Relations, Office of	3,613	0	3,613	4,262	4,354	4,537	4,577
Executive Chamber	20,167	0	20,167	21,061	22,081	23,238	23,908
General Services, Office of	221,618	0	221,618	232,550	237,306	241,552	239,517
Inspector General, Office of	6,416	0	6,416	7,184	7,466	7,730	7,812
Law, Department of	189,357	0	189,357	221,073	228,152	235,930	240,912
Lieutenant Governor, Office of the	1,314	0	1,314	126	0	328	1,314
Lottery, Division of	207,420	0	207,420	176,677	181,287	186,063	186,063
Public Employment Relations Board	3,657	0	3,657	4,284	4,404	4,555	4,602
Public Integrity, Commission on	1,733	0	1,733	5,359	5,446	5,569	5,927
Racing and Wagering Board, State	19,197	0	19,197	16,908	17,506	17,941	17,925
Real Property Services, Office of	51,994	0	51,994	52,077	53,048	54,088	55,057
Regulatory Reform, Governor's Office of	3,850	0	3,850	3,371	3,482	3,592	3,592
State, Department of	189,497	0	189,497	180,851	156,093	156,768	152,902
Tax Appeals, Division of	3,325	0	3,325	3,259	3,336	3,426	3,426
Taxation and Finance, Department of	376,148	0	376,148	363,096	375,297	385,121	385,176
Technology, Office for	21,468	0	21,468	75,036	152,340	214,243	194,327
Lobbying, Temporary State Commission on	1,093	0	1,093	0	0	0	(332)
Veterans Affairs, Division of	15,161	0	15,161	17,883	17,034	16,818	16,381
Functional Total	1,663,308	0	1,663,308	1,841,731	2,037,502	1,962,745	1,946,537
ALL OTHER CATEGORIES							
Legislature	216,946	0	216,946	219,279	221,931	221,974	221,974
Judiciary (excluding fringe benefits)	1,794,754	0	1,794,754	1,826,099	1,972,558	2,116,876	2,247,264
World Trade Center	39,755	0	39,755	80,000	70,000	35,000	32,500
Local Government Assistance	917,495	0	917,495	1,241,893	1,405,395	1,481,724	1,477,164
Long-Term Debt Service	4,104,001	0	4,104,001	4,652,161	5,158,092	5,803,370	6,146,358
General State Charges	5,475,909	0	5,475,909	5,428,324	5,939,542	6,275,959	6,673,026
Miscellaneous	(75,576)	0	(75,576)	(332,000)	(228,842)	15,847	(75,665)
Functional Total	12,473,284	0	12,473,284	13,115,756	14,538,676	15,950,750	16,722,621
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	116,056,407	0	116,056,407	121,606,311	130,797,284	138,033,485	144,499,690

**Unaudited Year-end Results*
Source: NYS DOB

GAAP-Basis Financial Plans/GASB Statement 45

In addition to the cash-basis Financial Plans, the General Fund and All Funds Financial Plans are prepared on a basis of GAAP in accordance with Governmental Accounting Standards Board (GASB) regulations. DOB's GAAP projections, which are based on the accounting principles applied by the State Comptroller in the financial statements issued for 2006-07, are for informational purposes only and are not relied on for budget management or execution.

In 2008-09, the General Fund GAAP Financial Plan shows total revenues of $45.0 billion, total expenditures of $55.7 billion, and net other financing sources of $10.0 billion, resulting in an operating deficit of $1.7 billion. These changes are due primarily to the use of a portion of the prior year surplus to support 2008-09 operations, as well as economic conditions on revenue accruals.

The GAAP basis results for 2006-07 showed the State in a net positive overall asset condition of $48.9 billion. The net positive asset condition is before the State reflects the impact of GASB 45 “Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions.” GASB 45 requires State and local governments to reflect the value of post-employment benefits, predominantly health care, for current employees and retirees beginning with the financial statements for the 2007-08 fiscal year.

The State used an independent actuarial consulting firm to calculate retiree health care liabilities. Assuming there is no pre-funding of this liability, the analysis indicates that the present value of the actuarial accrued total liability for benefits to date would be roughly $50 billion, using the level percentage of projected payroll approach under the Frozen Entry Age actuarial cost method. This is the actuarial methodology recommended to be used to implement GASB 45 by OSC. The actuarial accrued liability was calculated using a 4.155 percent annual discount rate.

The State’s total unfunded liability will be disclosed in the 2007-08 basic financial statements. While the total liability is substantial, GASB rules indicate it may be amortized over a 30-year period; therefore, only the annual amortized liability above the current pay-as-you-go costs would be recognized in the financial statements. Assuming no pre-funding, the 2007-08 liability would total roughly $3.8 billion under the Frozen Entry Age actuarial cost method amortized based on a level percent of salary, or $2.7 billion above the current pay-as-you-go retiree costs. This difference between the State’s pay-as-you-go costs and the actuarially determined required annual contribution under GASB 45 would reduce the State’s currently positive net asset condition.

GASB does not require the additional costs to be funded on the State's budgetary basis, and no funding is assumed for this purpose in the Financial Plan. On a budgetary (cash) basis, the State continues to finance these costs, along with all other employee health care expenses, on a pay-as-you-go basis. Anticipated increases in these costs are reflected in the State's multi-year Financial Plan as detailed below.

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

	Health Insurance		
Year	**Active Employees**	**Retirees**	**Total State**
1999-00	777	466	1,243
2000-01	876	521	1,397
2001-02	937	565	1,502
2002-03	1,023	634	1,657
2003-04	1,072	729	1,801
2004-05	1,216	838	2,054
2005-06	1,331	885	2,216
2006-07	1,518	913	2,431
2007-08	1,566	988	2,554
2008-09	1,652	1,039	2,691
2009-10	1,790	1,129	2,919
2010-11	1,950	1,233	3,183
2011-12	2,127	1,347	3,474

All numbers reflect the cost of Health Insurance for General State Charges (Executive and Legislative branches) and the Office of Court Administration; actuals through 2007-08.

As noted, the current Financial Plan does not assume pre-funding of the GASB 45 liability. If such liability was fully funded, the total unfunded liability would be reduced from $50 billion to $28 billion, and the additional cost above the pay-as-you-go amounts would be $1.5 billion in 2007-08. The State's Health Insurance Council, which consists of the Governor's Office of Employee Relations (GOER), Civil Service, and DOB will continue to review this matter, seek input from the State Comptroller, the legislative fiscal committees and outside parties, and provide options for consideration.

DOB's detailed GAAP Financial Plan for 2008-09 is provided below.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	40,168	8,200	2,110	12,984	63,462
Patient fees	0	0	0	587	587
Miscellaneous revenues	4,757	5,074	131	25	9,987
Federal grants	41	36,484	1,993	0	38,518
Total revenues	44,966	49,758	4,234	13,596	112,554
Expenditures:					
Grants to local governments	40,419	47,437	570	0	88,426
State operations	12,405	1,719	0	61	14,185
General State charges	3,848	340	0	0	4,188
Debt service	0	0	0	3,718	3,718
Capital projects	1	2	7,515	0	7,518
Total expenditures	56,673	49,498	8,085	3,779	118,035
Other financing sources (uses):					
Transfers from other funds	15,602	2,535	585	5,641	24,363
Transfers to other funds	(5,968)	(3,185)	(1,235)	(15,383)	(25,771)
Proceeds of general obligation bonds	0	0	473	0	473
Proceeds from financing arrangements/ advance refundings	393	0	3,864	0	4,257
Net other financing sources (uses)	10,027	(650)	3,687	(9,742)	3,322
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	(1,680)	(390)	(164)	75	(2,159)

Source: NYS DOB

Special Considerations

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

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

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

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

An additional risk to the State Financial Plan arises from the potential impact of certain litigation and of federal disallowances now pending against the State, which could adversely affect the State's projections of receipts and disbursements. The State Financial Plan assumes no significant litigation or federal disallowances or other federal actions that could affect State finances. For more information on litigation pending against the State, see the section entitled "Litigation" in this AIS.

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

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

In any year, the Financial Plan is subject to risks that, if they were to materialize, could affect operating results. The most significant current risks include the following:

Risks to the Economic Forecast

DOB expects the current recession to be relatively mild, though there are a number of risks to the forecast. The disruption to financial markets caused by subprime-related debt could be much worse than anticipated, further delaying the recovery of the financial sector. The downturn in both the residential and commercial real estate markets could be deeper and last longer than anticipated. In addition, volatile food and energy prices could push inflation even higher than projected, tying the Federal Reserve’s hands and effectively placing a tax on households, causing household spending to slow even further than expected. The global economy could slow further than anticipated in response to the U.S. downturn, depressing demand for U.S. exports and putting additional downward pressure on corporate earnings. Slower corporate earnings growth than expected could further depress equity markets, delaying their recovery and that of Wall Street. On the other hand, lower energy prices or stronger global growth than anticipated could result in stronger economic growth than is reflected in the forecast.

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation’s financial capital, financial market uncertainty poses a particularly large degree of risk for New York. New York's tax revenues are more reliant on the financial sector of the economy than are other states and other regions of the nation. The full extent of the losses associated with subprime debt still remains to be seen. Higher losses than anticipated could result in a further delay in the recovery of Wall Street profits and bonuses. A more severe national recession than expected could prolong the State's downturn, producing weaker employment and wage growth than projected. Should core inflation significantly accelerate, the Federal Reserve may feel compelled to reverse course and raise rates, which traditionally has adverse effects on the State economy. Moreover, weaker equity and real estate activity than anticipated could negatively affect household spending and taxable capital gains realizations. These effects could ripple through the economy, further depressing both employment and wage growth. In contrast, should the national and world economies grow faster than expected, a stronger upturn in stock prices, along with even stronger activity in mergers and acquisitions and other Wall Street activities, could result in higher wage and bonuses growth than projected.

Labor Settlements

The State has reached labor settlements with four labor unions: CSEA; PEF; UUP; and District Council 37, and extended comparable changes in pay and benefits to M/C employees. Under terms of the four-year contracts, which run from April 2, 2007 through April 1, 2011 (July 2, 2007 through July 1, 2011 for UUP), employees will receive pay increases of 3 percent annually in 2007-08, 2008-09, and 2009-10 and 4 percent in 2010-11.

The State's Financial Plan funds the costs of current contracts in 2008-09 through the use of $620 million of the $1.1 billion in existing reserves available at the start of the fiscal year for this purpose.

DOB estimates the General Fund costs of the agreements at $620 million in 2008-09, $775 million in 2009-10, and $1.2 billion in both 2010-11 and 2011-12. The current Financial Plan includes these costs.

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

School Supportive Health Services

The Office of the Inspector General (OIG) of the United States DOH and Human Services conducted six audits of aspects of New York State's School Supportive Health Services program with regard to Medicaid reimbursement. The audits cover $1.4 billion in claims submitted between 1990 and 2001. To date, OIG has issued four final audit reports, which cover claims submitted by upstate and New York City school districts for speech pathology and transportation services. The final audits recommend that the Centers for Medicare and Medicaid Services (CMS) disallow $173 million of the $362 million in claims for upstate speech pathology services, $17 million of $72 million for upstate transportation services, $436 million of the $551 million in claims submitted for New York City speech pathology services, and $96 million of the $123 million for New York City transportation services. New York State disagrees with the audit findings on several grounds and has requested that they be withdrawn. If the recommended disallowances are not withdrawn, the State expects to appeal.

While CMS has not taken any action with regard to the disallowances recommended by OIG, CMS is deferring 25 percent of New York City claims and 9.7 percent of claims submitted by the rest of the State, pending completion of the audits.

Proposed Federal Rules on Medicaid Funding

On May 25, 2007, CMS issued a final rule that, if implemented, would significantly curtail Federal Medicaid funding to public hospitals (including New York City's Health and Hospital Corporation (HHC)) and programs operated by both the State OMRDD and the State OMH. The rule seeks to restrict State access to Federal Medicaid resources by changing the upper payment limit for certain rates to actual facility reported costs. It is estimated that this rule could result in a loss of $350 million annually in Federal funds for HHC and potentially larger losses in aid for the State Mental Hygiene System.

On May 23, 2007, CMS issued another rule that would eliminate Medicaid funding for graduate medical education (GME). The proposed rule clarifies that costs and payments associated with GME programs are not expenditures of Medicaid for which Federal reimbursement is available. This rule could result in a Financial Plan impact of up to $600 million since the State would be legally obligated to pay the lost non-Federal share.

The states affected by these regulations are challenging such adoption on the basis that CMS is overstepping its authority and ignoring the intent of Congress. As a result, Congress passed a one-year moratorium barring implementation of these proposed rule changes. The moratorium expires on May 29, 2008.

CMS has proposed other regulations that could pose a risk to the State's Financial Plan beyond those addressed by the moratorium. On February 22, 2008, CMS issued a change to the rules that regulate State taxation of healthcare entities, effective April 22, 2008. The rule affords CMS flexibility in identifying a "linkage" between provider taxes and Medicaid payments rendering the tax invalid. The State currently uses a substantial amount of provider tax receipts to finance various healthcare programs that serve the State's most vulnerable populations. While the State strongly believes that its imposed taxes are in full compliance, the vagueness of the new rules provides no assurance that these funding streams are adequately protected.

CMS has also issued a rule regarding targeted case management which clarifies the definition of covered services. The final rule was issued on December 4, 2007 and made effective March 3, 2008. The State is currently in the process of litigating this issue and has requested a one-year implementation extension.

Further, CMS proposes to restrict Medicaid reimbursement for hospital outpatient services and restrict coverage to rehabilitative services, which could pose a risk to the Financial Plan and result in hundreds of millions of dollars in reduced Federal-share funding. However, the State argues that the proposed regulation regarding outpatient services is in direct violation of the current moratorium.

On all of these rules, the State is actively lobbying the Federal government to be held harmless, either through an extension/modification of the current moratorium or through other administrative or statutory means.

Variable Rate Debt

In recent months, the market for municipal auction rate securities and certain variable rate demand bonds has been disrupted by, among other things, credit rating downgrades to certain municipal bond insurers, investor concerns over liquidity and the level of participation of investment banks in the operation of the market. The disruption has not had a material impact on State debt service costs. The State is substantially reducing its exposure to auction rate securities and to variable-rate demand bonds that carry insurance from bond insurers that have been subject to credit rating downgrades. DOB expects the adjustments to its variable rate portfolio will be completed by the end of the first quarter of fiscal year 2008-09.

INFORMATION ON THE STATE UNIVERITY OF NEW YORK

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Schedule of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2003 through June 30, 2007
(in thousands)

	2003	2004	2005	2006	2007
Operating revenues					
Tuition and fees	$897,479	$1,122,946	$1,174,057	$1,200,791	$1,244,601
Less scholarship allowances	(244,655)	(303,690)	(313,254)	(321,242)	(327,064)
Net tuition and fees	652,824	819,256	860,803	879,549	917,537
Federal grants and contracts	755,549	805,448	794,131	798,086	809,788
State grants and contracts	223,725	291,369	300,139	287,295	325,584
Local grants and contracts	18,460	19,603	16,942	17,205	16,599
Private grants and contracts	207,937	203,456	203,235	239,006	269,842
Sales and services:					
University hospitals and clinics	1,003,838	1,373,510	1,288,686	1,430,623	1,621,458
Educational activities	41,259	41,224	44,627	45,804	48,411
Sales and services of auxiliary enterprises	571,054	611,221	670,423	722,952	772,808
Less scholarship allowances	(76,270)	(78,263)	(82,191)	(86,011)	(92,955)
Net auxiliary enterprises	494,784	532,958	588,232	636,941	679,853
Other sources	44,734	51,302	50,082	46,981	59,305
Total operating revenues	3,443,110	4,138,126	4,146,877	4,381,490	4,748,377
Operating expenses					
Instruction	1,374,314	1,422,449	1,516,929	1,619,085	1,908,992
Research	523,261	552,651	516,129	542,157	591,662
Public service	239,740	237,383	234,232	250,352	273,125
Academic support	268,043	301,749	314,910	340,411	387,273
Student services	178,444	192,108	197,305	204,401	237,126
Institutional support	502,287	552,920	617,739	671,590	790,900
Operations and maintenance of plant	388,694	448,603	443,526	514,540	587,999
Scholarships and fellowships	100,023	99,446	99,775	98,789	110,680
Hospitals and clinics	1,184,617	1,321,968	1,420,504	1,497,997	1,723,774
Auxiliary enterprises:					
Residence halls	188,904	217,091	229,378	243,857	261,387
Food service	137,191	148,184	166,258	178,900	190,711
Other	171,383	180,717	190,533	202,742	229,545
Depreciation and amortization expense	228,617	268,546	296,003	320,454	380,081
Other operating expenses	18,912	16,088	6,764	4,372	11,369
Total operating expenses	5,504,430	5,959,903	6,249,985	6,689,647	7,684,624
Operating loss	(2,061,320)	(1,821,777)	(2,103,108)	(2,308,157)	(2,936,247)
Nonoperating and other revenues (expenses)					
State appropriations:					
Operations	1,794,143	1,705,772	1,695,228	2,078,094	2,283,546
Debt service	285,021	355,416	380,347	380,733	626,599
Federal appropriations	18,769	17,048	16,300	16,755	16,767
Investment income (net of investment fees)	64,772	46,042	55,011	78,569	126,603
Net realized and unrealized gains (losses)	(3,214)	97,978	83,487	108,841	224,214
Gifts	49,481	53,016	51,334	86,985	47,567
Interest expense on capital related debt	(217,998)	(268,743)	(257,547)	(262,373)	(266,086)
Capital appropriations, gifts and grants	137,647	98,159	111,841	82,237	64,196
Other nonoperating revenues (expenses), net	(736)	(4,003)	(3,486)	37,717	(1,668)
Net nonoperating and other revenues	2,127,885	2,100,685	2,132,515	2,607,558	3,121,738
Increase in net assets	$66,565	$278,908	$29,407	$299,401	$185,491

See Appendix C-1, notes to financial schedules

NOTES TO FINANCIAL SCHEDULES

Note I – Classification Structure and Accounting Policies

The accompanying schedule of revenues, expenses, and changes in net assets have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The University reports as a special-purpose government engaged in business-type activities, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The Schedules of Revenues, Expenses, and Changes in Net Assets distinguish between operating and nonoperating revenues and expenses. The University defines operating activities in the Schedules of Revenues, Expenses, and Changes in Net Assets as those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as nonoperating activities. These nonoperating activities include the University's operating and capital appropriations from the State, federal appropriations, nonexchange receipts, net investment income, gifts, and interest expense. Certain amounts derived from the financial statements have been combined for the presentation on the Schedules of Revenues, Expenses, and Changes in Net Assets.

During fiscal 2007, the State University adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expenses, the related assets or liabilities and note disclosures in the financial statements. The objective of this statement is to improve the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB expenses over a period that approximates the employee's years of service and provides information about actuarial accrued assets or liabilities associated with OPEB and whether and to what extent funding progress is being made. For the State University the annual OPEB was $712.5 million with benefits paid during the year of $143.4 million and a net benefit obligation of $570 million at June 30, 2007.

During 2004, the State University adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which amends GASB Statement No. 14, *The Financial Reporting Entity*. As a result, certain affiliates, campus-related foundations, and foundation student housing corporations (all referred to as the "foundations") are included in the State University reporting entity. The combined totals of the foundations are discretely presented on separate pages of the financial statements of the State University in accordance with display requirements prescribed by the Financial Accounting Standards Board "(the FASB"). For the fiscal years ending June 30, 2006, 2005 and 2004, the foundations reported total revenues, total expenses, and ending net assets as follows:

Financial Statement Classification	2004	2005	2006	2007
Total revenues	$278,572	$273,117	$340,353	$343,823
Total expenses	171,336	190,731	212,928	208,160
Net assets	687,337	769,723	897,148	1,032,842

Note II – Revenues and Expenses

University expenses include programs supporting the instructional, research, and public service programs at the 34 State-operated campuses along with the System Administration offices and certain other University-wide programs. Funds supporting these programs are derived from the following: State appropriations, University-generated revenues (such as tuition, fees, room rents, and hospital operations), sponsored programs, the Research Foundation, the State University Construction Fund, and the statutory colleges at Cornell and Alfred Universities. Auxiliary Services Corporation funds (food services and other auxiliary enterprise activities) are also included in the Schedules.

Note III – Functional Expenses

Instruction expenses contain salaries of teaching faculty, teaching and graduate assistants, administration, technicians, clerical and secretarial positions directly supporting the instructional effort, and instructional supplies and equipment. Research expenses include the costs of separately organized research units or separately financed research projects. The public service program includes funds for public workshops and continuing education. Academic support services directly support the primary instruction, research and public service and include libraries, educational communication centers, farms and training ships. Student support services serve the student in such areas as admissions, financial aid, placement and student unions. Institutional support services support all of the campus programs, including System Administration and other services such as data processing, mail, and supply. Operations and maintenance of plant include all necessary expenses for the managing of the University's physical plant. Staff benefits are included in each classification. Scholarship and fellowship programs are currently being funded primarily by the State of New York through the Higher Education Services Corporation (Tuition Assistance Program) and the Federal Government including the College Work Study Program, Pell Grants, and Supplemental Educational Opportunity Grant programs.

Note IV – Hospitals and Clinics

Hospitals and clinics include the costs associated with the teaching hospitals at Stony Brook, the Health Science Center at Brooklyn, the Health Science Center at Syracuse, the Long Island Veterans Home and the clinics associated with the College of Optometry, and the Dental School at the State University of New York at Buffalo.

Note V – Auxiliary Enterprises

This major program area includes programs that are conducted primarily to provide services for students, faculty, and staff. The three programs included in this category are residence halls, food service operations, and other auxiliary enterprises including campus stores, vending operations, laundry and recreational operations, intercollegiate athletics, health services, and parking. Food service revenues are generated from students participating in contract meal service plans offered at the campuses.

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SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT

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SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT

The following is a brief summary of certain provisions of the Agreement. This summary does not purport to be complete and reference is made to the Agreement for full and complete statements of such and all provisions. The headings below are not part of the Agreement but have been added for ease of reference. Defined terms used herein shall have the meaning ascribed to them in Appendix A.

Lease of Facilities

The Authority agrees to lease to the State University, and the State University agrees to take and hire from the Authority, the Leased Property on the terms and conditions set forth in the Agreement.

(Section 2.01)

Term of Lease

The Lease Term shall commence on the date on which Bonds of any Series are first issued and delivered by the Authority, and shall terminate on the date on which no Bonds are Outstanding and the State University has satisfied its obligations under the Agreement, unless sooner terminated in accordance with the provisions of the Agreement.

(Section 2.02)

Acquisition of Facility Sites

Unless otherwise agreed by the State University and the Authority, the State University shall obtain as soon as practicable good and marketable title to the land on which each Facility is to be located and the building and improvements thereon, free and clear of all liens, charges and encumbrances except for Permitted Encumbrances.

(Section 2.03)

Availability of Land from State University

(a) The State University ratifies and confirms to the Authority all the Authority's right, title and interest in and to the Leased Property heretofore made available to the Authority as the sites of Facilities, together with such rights in and over other lands adjacent thereto to which the State University may have title, as may be required for temporary use during the period of construction, for ingress and egress to such Facilities and necessary attendant facilities and for the location of utilities and for such other purposes as may be required for the proper and efficient operation and maintenance of such Facilities and necessary attendant facilities.

(b) The State University, pursuant to Section 355(2)(s) of the Education Law of the State, agrees to make available to the Authority the portion of the grounds or real property occupied by a state—operated institution or statutory or contract college required for the site for any Facilities, together with such rights in and over other lands adjacent thereto as may be required for temporary use during the period of construction, for ingress and egress to the Project, and for the location of utilities and for such other purposes as may be required for the proper and efficient operation and maintenance of the Project.

(c) The State University and the Authority agree that the University's rights of reverter in and to the real property and the buildings located thereon held by the Authority by conveyances from the State University of Buffalo, to the extent that such buildings shall be made a part of the Project by the Agreement, shall continue and shall take effect at such time as the liabilities of the Authority incurred by its ownership, operation or financing of the Project, including payment of the principal or redemption price of and interest on the Bonds shall have been fully paid or otherwise discharged as provided by the Resolution.

(Section 2.04)

Net Lease

The Agreement shall be deemed and construed to be a "net lease," and the State University shall pay absolutely net during the Lease Term the Rentals and all other payments required under the Agreement, free of all deductions, without abatement, diminution and set-off.

(Section 2.05)

Construction of Facilities

The Authority, subject to the availability of moneys therefor in the Construction Fund or from appropriations made to it by the State, shall acquire, design, construct, reconstruct, rehabilitate, improve, furnish and equip the Facilities as provided in the Agreement; except that in the case of Defeased Facilities, the Authority shall acquire, design, construct, reconstruct, rehabilitate, improve, furnish and equip the Defeased Facilities as directed by the State University using only those monies that are available for such purpose.

Unless otherwise agreed by the Authority and the State University with respect to a Facility, the Authority shall be responsible for the design, acquisition, construction, reconstruction, rehabilitation, improvement, furnishment and equipment of the Facilities, supervision of construction, acceptance of a completed Facility or part thereof, and all other matters incidental to performance of the duties and powers expressly granted in the Agreement to the Authority in connection with the acquisition, construction, reconstruction, rehabilitation, improvement, furnishment and equipment of the Facilities.

(Section 3.01)

Payment of Rentals

(a) The State University shall pay to the Authority from any moneys legally available to it, including, without limitation, moneys from time to time on deposit in the Dormitory Income Account established by the State University pursuant to the Agreement, State funds appropriated to the State University in the State of New York and unrestricted fund balances of the State University, the following Basic Rent in the amounts and on the dates as follows:

> (i) On December 10 of each Bond Year, (A) the interest payable on or prior to the immediately succeeding January 1 on Outstanding Bonds on which interest is payable semiannually on each January 1 and July 1 and (B) the principal and Sinking Fund Installments of Outstanding Bonds payable prior to the immediately succeeding July 1;
>
> (ii) On June 10 of each Bond Year, (A) the interest payable on or prior to the immediately succeeding July 1, on Outstanding Bonds on which interest is payable semiannually on each January 1 and July 1 and (B) the principal and Sinking Fund Installments of Outstanding Bonds payable prior to the immediately succeeding January 1;
>
> (iii) On the 10^{th} day of each month the interest estimated by an Authorized Officer of the Authority to be payable during the next succeeding calendar month on Outstanding Variable Interest Rate Bonds on which interest is payable more frequently than semiannually; and
>
> (iv) Not less than five (5) Business Days prior to the date the principal or a Sinking Fund Installment of or interest on Outstanding Bonds is payable, the amount by which the money available in the Debt Service Fund is insufficient to make such payment, as set forth in a written notice from the Authority given not less than ten days prior to such date.

The State University shall receive a credit against the payments required to be made pursuant to subparagraphs (i) and (ii) of this Section equal to the amount by which the amount in the Debt Service Fund on the date any such payment is to be made exceeds the amount required pursuant to the Resolution to be on deposit therein.

The State University shall have the option to make from time to time prepayments in part of payments due as aforesaid of Basic Rent, together with interest accrued and to accrue and premium, if any, to be paid on the Bonds, if such prepayment is to be used for the purchase or redemption of such Bonds. The Trustee shall apply such prepayments in such manner consistent with the provisions of the Resolution as may be specified in writing by an Authorized Officer of the State University at the time of making such prepayment.

Subject to the provisions of the Agreement and of the Resolution, the State University shall receive a credit against the amount required to be paid by the State University during a Bond Year pursuant to subparagraph (i) and (ii) of this Section on account of any Sinking Fund Installments if, subsequent to July 1 of any Bond Year, but in no event less than forty-five (45) days prior to the immediately succeeding July 1 on which a Sinking Fund Installment is scheduled to be due, the State University delivers to the Trustee for cancellation one or more Bonds of the Series and maturity to be so redeemed on such July 1. The amount of the credit shall be equal to the principal amount of Bonds so delivered and cancelled.

(b) The State University shall pay to the Authority, as additional rent for the Facilities, the amounts, and on the dates, as follows:

(i) On the date of delivery of Bonds of a Series, the Administrative Expenses, as estimated by an Authorized Officer of the Authority, incurred in connection with the issuance of Bonds of such Series;

(ii) On each December 10, the Annual Administrative Fee;

(iii) The Administrative Expenses of the Authority, the Trustee and each Paying Agent for the Bonds, within thirty (30) days after notice of the amount thereof is given to the State University; **provided, however**, that the estimated Administrative Expenses paid pursuant to subparagraph (i) of this paragraph (b) shall be applied in reduction of the amount payable pursuant to this subparagraph;

(iv) The amount determined by an Authorized Officer of the Authority as required to be rebated to the Department of the Treasury of the United States of America in excess of the amount available therefor in the Arbitrage Rebate Fund, within five (5) days after notice of the amount thereof is given to the State University;

(v) On the 10^{th} day of each calendar month, the amount certified by the Authority as the estimated amount payable by the Authority (1) in connection with the purchase and remarketing of Option Bonds, (2) the adjustment of the rate at which a Variable Interest Rate Bonds bear interest, and (3) to the Providers of Credit Facilities and Liquidity Facilities, in each case that are payable during the next succeeding calendar month; and

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

(c) The Authority, for the convenience of the State University, shall furnish the State University not less than thirty (30) days prior to the date on which a payment is due pursuant to this Section, a statement of the amount, purpose and payment date of each payment required to be made pursuant to this Section. The failure to furnish such statement shall not excuse the State University's failure to pay, when due, the amounts payable pursuant to this Section.

(d) Any Rentals which are not paid by the State University within seven (7) days after the due date thereof shall, from and after said due date, bear interest (to the extent permitted by law) at the highest rate per annum borne by any of the Bonds until paid, time being of the absolute essence of this obligation.

(Section 4.01)

Indemnification of Authority; Limitation on Liability

(a) Both during the term of the Agreement and thereafter, the State University, to the extent, authorized by the New York State Court of Claims Act and to the extent not otherwise prohibited by State law and decisions thereunder, shall hold the Authority and any member, officer and employee of the Authority harmless from and against any and all liability, loss, cost, damage, claim, suit or judgment and any and all costs and expenses including, but not limited to, reasonable counsel fees and disbursements, if assessed by a court of competent jurisdiction, of any and all kinds or nature and however arising, imposed by law, which it or any of them may sustain, be subject to or be caused to incur by reason of any claim, suit or action based upon personal injury, death, or damage to property, whether real, personal or mixed, or upon or arising out of the financing, design, construction, reconstruction, acquisition, rehabilitation, improvement, occupancy, or use of the facilities, pursuant to the Agreement, or upon or arising out of the allegation that an official statement, prospectus, placement memorandum or other offering document prepared in connection with the sale and issuance of obligations contained an untrue or misleading statement of a material fact relating to the State University, the project or the estimated sources and uses of funds, or omitted to state a material fact relating to the State University, the project or the estimated sources and uses of funds necessary in order to make the statements made therein in light of the circumstances under which they were made not misleading; **provided, however**, that such liability, loss, cost, damage, claim, suit or judgment resulted from the negligence of State University or its employees while acting within the scope of such employees University employment duties, and is not contributed to, caused by or resulted from the intentional wrong doing of the Authority, its members, officers or employees.

(b) The provisions of this Section shall not be deemed to relieve any insurance company which has issued a policy of insurance as may be provided in the Agreement from its obligation to defend or indemnify the State University, the Authority and any other insured named in such policy of insurance in connection with claims, suits or actions covered by such policy.

It is the intention of the parties to the Agreement that any such insurance shall be primary, and shall take precedence over the obligations provided by the State University under the Agreement.

(c) The Authority agrees to give the State University and the Attorney General notice in writing of the institution of each such claim, action, or proceeding covered by the provisions of subdivision (a) of this Section and to consult with the State University and the Attorney General and to obtain the written approval of the State University and the Attorney General, as their respective interest may exist, prior to adjusting, settling or compromising any such claim, action or proceeding.

(d) The Authority and each member, officer or employee shall be entitled to employ separate counsel in any action or proceeding and to participate in the defense thereof**; provided, however,** that the State University shall be liable for attorneys' fees of separate counsel so retained or any other expenses incurred in connection with its participation in the defense of such action or proceeding, other than the reasonable costs of investigation thereof, unless the State University shall have consented thereto or unless, (i) in the reasonable judgment of the Authority (A) it or any member, officer or employee's interests and the interests of the State University therein are adverse or (B) it or any member, officer or employee may have a defense available to it which is not available to the State University or (ii) the State University does not provide for legal representation.

(e) The State University shall not be liable for the payments pursuant to its obligations provided for in this Section to the Authority, its members, officers and employees, including attorneys' fees of separate counsel retained by the Authority, its members, officers and employees, beyond funds appropriated by the State and available for these purposes and such payments shall not be made from appropriations for the operations of the State University.

(f) The provisions of this Section shall become inoperative with respect to the parties to be held harmless under the Agreement, upon the enactment into law of indemnification protection for said parties equivalent to or pursuant to section 17 of the Public Officers Law.

(Section 4.03)

The Dormitory Income Account

The State University shall cause the Dormitory Income Account to be established and held by the Comptroller of the State. Such account and the moneys therein shall be held for the State University separate and apart from all other funds, moneys and accounts of the State University. If the Comptroller of the State for any reason shall cease to hold such account, the State University shall cause such account and the moneys therein to be held separate and apart from all other funds, moneys and accounts of the State University.

(Section 4.04)

Payments to the Dormitory Income Account

The State University covenants that, from the date on which Bonds are first issued, the State University shall pay to the Dormitory Income Account all rents, fees and charges, as received by the State University, from students or other persons for the use and occupancy of the Project.

The State University shall keep its books and records in such manner that the rents, fees and charges required to be paid to the Dormitory Income Account pursuant to this Section can be ascertained and identified. The State University agrees that such rents, fees and charges: (i) shall be stated separately in billing or shall be allocated by the State University from any other rents, fees or charges imposed; (ii) shall be identified as such rents, fees and charges; and (iii) shall be kept and accounted for separate and apart from any other rents, fees and charges imposed by the State University.

(Section 4.05)

Pledge of the Dormitory Income Account; Payments from the Dormitory Income Account

(a) Subject only to the provisions of paragraph (b), (c) and (d) of this Section, the rents, fees and charges required to be paid to the Dormitory Income Account and the moneys and assets of such account shall be used only to pay the Rentals required to be paid by the State University to the Authority in accordance with the Agreement. The provisions relating to the Dormitory Income Account shall constitute a pledge of and a lien on such rents, fees and charges required to be paid to the Dormitory Income Account as received by the State University and upon the Dormitory Income Account and its assets to the extent of the Agreement.

(b) If, at any time, the amount then on deposit in the Dormitory Income Account shall exceed the amount of Rentals that remain payable during such Bond Year, then in such event the excess may be used to pay the cost of operating, maintaining, repairing and renovating the Project pursuant to the Agreement.

For purposes of determining the amount of Rentals payable pursuant to subparagraphs (iii) and (iv) of paragraph (a) of the Section of the Agreement summarized under the heading "Payment of Rentals" above and subparagraphs (iii), (iv) (v) and (vi) of paragraph (b) of the same Section of the Agreement, the Authority shall estimate the amount of Rentals that are required to be paid pursuant to such paragraphs if the amount cannot be determined at the time of computation.

(c) The Dormitory Income Account Reserve shall be applied to the cost of (i) operating and maintaining and (ii) repairing, renovating and improving, the Project**; provided, however,** no payment shall be made from the Dormitory Income Account Reserve pursuant to this paragraph (c) unless, at the time of such payment, the amount then on deposit in the Dormitory Income Account, shall exceed the amount of Rentals that remain payable during the then current Bond Year. Any payment from the Dormitory Income Account Reserve shall be made upon the joint direction of the Authority and the State University.

(d) So long as no Event of Default on the part of the State University is occurring under the Agreement, any moneys in the Dormitory Income Account in excess of the Dormitory Income Account Reserve Requirement as of the last day of each Fiscal Year may, upon submission of the Annual Report required by the Agreement, be paid to the State University for any lawful purpose of the State University free of the lien and pledge created pursuant to this Section; **provided, however,** no payment shall be made from the Dormitory Income Account pursuant to this paragraph (d) unless at the time of, and after giving effect to, such payment, the amount then on deposit in the Dormitory Income Account shall exceed the amount of Rentals that remain payable during the then current Bond Year.

(Section 4.06)

Investment of Dormitory Income Account

Any moneys held by or for the State University in the Dormitory Income Account shall be held in cash or may be invested only in obligations for which the Comptroller of the State is authorized to invest funds held in her custody under the State Finance Law. Interest earned, profits realized and losses suffered by reason of any such investment of such moneys shall be credited or charged, as the case may be, to the Dormitory Income Account.

(Section 4.07)

Records and Accounts; Annual Report

The State University shall keep proper books of records and accounts (separate from all other records and accounts) in which complete and correct entry shall be made of its transactions relating to the Dormitory Income Account, which books and accounts at reasonable hours and subject to the reasonable rules and regulations of the State University shall be subject to the inspection of the Trustee, the Authority or any Holder of Bonds or such Holder's representative duly authorized in writing. Within ninety (90) days after the end of each Fiscal Year of the State University, the State University shall submit to the Authority, the Division of the Budget and the Trustee a report in writing concerning the Dormitory Income Account, which report shall include at least the following: (i) the amount in the Dormitory Income Account at the beginning of such Fiscal Year; (ii) the rents, fees and charges received by the State University from students or other persons for the use and occupancy of the Project and paid to such account; (iii) the income from investment of moneys in such account; (iv) the amount of the Rentals and any other moneys paid during such Fiscal Year to the Authority relating to the Project; (v) the amount, if any, withdrawn by the State University as permitted by provisions of the Agreement summarized in paragraphs (b), (c) and (d) under the heading "Pledge of the Dormitory Income Account; Payments from the Dormitory Income Account" above; and (vi) the balance remaining in such account at the close of such Fiscal Year and whether such balance exceeds or is less than the Dormitory Income Account Reserve Requirement and if an excess exists, the amount to be withdrawn pursuant provisions of the Agreement summarized in paragraphs (d) under the heading "Pledge of the Dormitory Income Account; Payments from the Dormitory Income Account" above subject to the limitation therein. In addition, such report shall contain a statement, in terms sufficient for identification, of the amounts and purposes for which the moneys withdrawn by the State University as permitted by provisions of the Agreement summarized in paragraphs (b) and (c) under the heading "Pledge of the Dormitory Income Account; Payments from the Dormitory Income Account" above have been expended, and the unexpended balance, if any, of such withdrawal. In addition, such report shall contain a statement that the State University has no knowledge of any default in the fulfillment of any of the terms, covenants or provisions of the Agreement or, if the State University has knowledge of any such default, a statement thereof. Such report shall also set forth the Defeased Facilities which are subject to the Agreement.

(Section 4.08)

Nature of Obligations of the State University

Except as hereinafter provided in this Section, the obligation of the State University to pay Rentals and to pay all other amounts provided for in the Agreement and to perform its obligations under the Agreement shall be general, legal, valid and binding obligations of the State University, and such Rentals and other amounts shall be payable from any moneys legally available to the State University for such purpose without any rights of set-off, recoupment or counterclaim it might have against the Authority, the Trustee or any other person and whether or not the Facilities are used or occupied by the State University or available for use or occupancy by the State University; **provided, however,** that the State University shall receive a credit against the Rentals to the extent of the proceeds of any use and occupancy insurance received by the Authority and available for application to the payment of the Rentals. If the State University shall have paid all amounts required by the Agreement and continues to pay the same when due, it shall not be precluded from bringing any action it may otherwise have against the Authority; **provided, however,** that the State University shall not, as a result of its failure to pay any Administrative Expenses or Annual Administrative Fee, be precluded from bringing any such action if the amount thereof is disputed or is being contested by the State University in good faith.

The State University covenants that, so long as the State University shall be in possession of the Project under the Agreement, rents, fees and charges charged and collected from students and other persons for use and occupancy of the Project shall be sufficient at all times to maintain the Dormitory Income Account at the Dormitory Income

Account Requirement and to pay all other expenses required to be paid by the State University pursuant to the Agreement.

Notwithstanding anything in the Agreement to the contrary, the cost and expense of the performance by the State University of its obligations under the Agreement and the incurrence of any liabilities of the State University under the Agreement, including, without limitation, the payment of all Rentals and all other amounts required to be paid by the State University under the Agreement, shall be deemed executory to the extent of moneys legally available to the State University for such purpose.

The State University will not terminate the Agreement (other than such termination as is provided for under the Agreement) or be excused from performing its obligations under the Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute an eviction or constructive eviction, failure of consideration, failure of title, or frustration of purpose, or any damage to or destruction of the Project, or the taking by eminent domain of title to or the right of temporary use of all or any part of the Project, or the failure of the Authority to perform and observe any agreement or covenant, whether expressed or implied, or any duty, liability or obligation arising out of or in connection with the Agreement.

(Section 4.09)

Nature of Obligations of the Authority

The cost and expense of the performance by the Authority of any of its obligations under the Agreement shall be limited to the availability of the proceeds of Bonds issued for such purposes or from other funds received by the Authority under the Agreement and available for such purposes.

(Section 4.10)

Additional Resolutions; Apportionment of Payments

In the event that there is more than one Resolution and the moneys legally available to the State University, including moneys held in the Dormitory Income Account, are insufficient to make payments to satisfy the State University's obligations to pay the Basic Rent payable on account of Bonds issued pursuant to the Resolutions, the State University shall apportion the available moneys, pro rata, based upon the Basic Rent payable on account of Bonds issued pursuant to each Resolution. Payments of all other Rentals shall also be made, in the event of insufficiencies, on a pro rata basis based on the amount of Rentals payable on account of Bonds issued pursuant to each Resolution, but only after all Basic Rent is paid.

(Section 4.12)

Operation, Maintenance and Repair

During the Lease Term, the State University shall be responsible for, and pay all costs of, operating the Facilities, maintaining the same in good condition, and making all necessary repairs and replacements, interior and exterior, structural and non-structural; **provided, however**, that the State University shall not be obligated to pay the costs thereof paid by any person (other than the Authority) to whom a Facility has been sublet in accordance with provisions of the Agreement summarized in paragraph (a) under the heading "Remedies" below.

The State University covenants that, so long as the State University shall be in possession of the Project that: (i) it will prepare and implement a budget for each Fiscal Year, which provides adequate funds for the operation and maintenance of the Project in good condition and for the making of all necessary repairs and replacements; (ii) it will prepare and implement a Capital Plan that will provide adequate resources for all necessary repairs and replacements of the Facilities; and (iii) prior to the commencement of each Fiscal Year, it shall provide the Authority with copies of the aforementioned budget and Capital Plan, together with its certification that they are in compliance with the requirements of this Agreement, including, but not limited to, the requirements imposed by clauses (i) and (ii) of this paragraph, and that they have provided adequate resources to maintain the Dormitory Income Account at the Dormitory Income Account Requirement during the Fiscal Year to which the certification relates.

(Section 5.01)

Utilities, Taxes and Governmental Charges

The State University will pay or cause to be paid all charges for water, electricity, light, heat or power, sewage, telephone and other utility service, rendered or supplied upon or in connection with the Facilities during the Lease Term; **provided, however**, that the State University shall not be obligated to pay the costs thereof paid by any person (other than the Authority) to whom a Facility has been sublet in accordance with provisions of the Agreement summarized in paragraph (a) under the heading "Remedies" below.

In addition, the State University shall (i) pay, or make provision for payment of, all applicable lawful taxes and assessments, including income, profits, property or excise taxes, if any, or other municipal or governmental charges, levied or assessed by any federal, state or any municipal government upon the Authority or the State University with respect to or upon a Facility or any part thereof or upon any payments under the Agreement when the same shall become due; **provided, however,** that the State University shall not be obligated to pay the costs thereof paid by any person (other than the Authority) to whom a Facility has been sublet in accordance with provisions of the Agreement summarized in paragraph (a) under the heading "Remedies" below; (ii) duly observe and comply with all valid requirements of any governmental authority relative to the Facilities; (iii) not create or suffer to be created any lien or charge upon a Facility or any part thereof, except Permitted Encumbrances, or upon the payments in respect thereof pursuant to the Agreement; and (iv) pay or cause to be discharged or make adequate provision to satisfy and discharge, within sixty (60) days after the same shall come into force, any lien or charge upon the Project or any part thereof, except Permitted Encumbrances, or upon any payments under the Agreement and all lawful claims or demands for labor, materials, supplies or other charges which, if unpaid, might be or become a lien upon any payments under the Agreement; **provided, however,** that the State University shall not be obligated to pay the costs thereof paid by any person (other than the Authority) to whom a Facility has been sublet in accordance with provisions of the Agreement summarized in paragraph (a) under the heading "Remedies" below.

The Authority shall cooperate fully with the State University in the payment of taxes or assessments and in the handling and conduct of any prospective or pending litigation with respect to the levying of taxes or assessments on a Facility and will, to the extent it may lawfully do so, permit the State University to litigate in any such proceeding in the name and behalf of the Authority.

(Section 5.02)

Additions, Enlargements and Improvements

The State University shall have the right at any time and from time to time during the Lease Term, at its own cost and expense, to make such additions, enlargements, improvements and expansions to, or repairs, reconstruction and restorations of, a Facility, as the State University shall deem necessary or desirable in connection with the use thereof**; provided, however,** that no addition to or enlargement, improvement, expansion, repair, reconstruction or restoration of, a Facility which requires structural change of the Facility, or which modifies or changes any aspect or feature thereof designed or intended to protect the life or provide for the safety of the occupants of the Facility, shall be made by the State University without the prior written consent of an Authorized Officer of the Authority. All such additions, enlargements, improvements, expansions, repairs, reconstruction and restorations when completed shall be of such character as not to reduce or otherwise adversely affect the value of the Facility or the rental value thereof. The cost of any such additions, enlargements, improvements, expansions, repairs, reconstruction or restorations shall be promptly paid or discharged so that the Facility shall at all times be free of liens for labor and materials supplied thereto other than Permitted Encumbrances. All additions, enlargements, improvements and expansions to, or repairs, reconstruction and restorations of, a Leased Property shall be and become a part of the Leased Property and be the property of the Authority.

(Section 5.03)

Additional Rights of the State University

The Authority agrees that the State University shall have the right, option and privilege of erecting, installing and maintaining at its own cost and expense such standard office partitions, railings, doors, gates, counters, lighting fixtures, towers (together with all necessary guy wires and anchors), gasoline or natural gas storage tanks and pumps, signs and such other equipment in or upon a Facility as may in State University's judgment be necessary for its purposes. It is further understood and agreed that anything erected or installed under the provisions of this

Section shall be and remain the personal property of the State University and shall not become part of the Leased Property, and may be removed, altered or otherwise changed, upon or before the termination of the Agreement.

(Section 5.04)

Insurance

(a) At the times specified in the Agreement the Authority shall, to the extent reasonably obtainable, maintain or caused to be maintained with responsible insurers, approved by an Authorized Officer of the Authority, for the benefit of the Authority and the State University, the following kinds and the following amounts of insurance with respect to each Facility, with such variations as shall reasonably be required to conform to customary insurance practice and approved by an Authorized Officer of the Authority:

(i) Builder's Risk Insurance which will protect against loss or damage resulting from fire and lightning, the standard extended coverage perils, and vandalism and malicious mischief. The limits of liability will on a one hundred per centum (100%) completed value basis be the insurable value for the Facility, including items of labor and materials connected therewith whether in or adjacent to the structure insured and materials in place or to be used as part of the permanent construction. Such insurance shall be maintained until the insurance required by subparagraph (iv) of this Section (a) has been obtained. All such policies required by this subparagraph shall name the Authority and the State University as named insured, as their respective interests may appear, and shall contain standard clauses which provide for the net proceeds of any loss to be made payable directly to the Trustee for deposit to the credit of the Construction Fund with respect to a Facility (other than a Defeased Facility), and with respect to a Defeased Facility, to the credit of the fund or account from which construction of the Defeased Facility is financed;

(ii) Comprehensive Boiler and Machinery Insurance under the customary form of policy in use in the State providing coverage in an amount and with such deductibles, if any, as may be acceptable to an Authorized Officer of the Authority. Such insurance shall be maintained commencing on the date the Facility is occupied or any object insured thereunder is accepted. All such policies required by this subparagraph shall name the Authority and the State University, as their respective interests may appear, and shall contain standard clauses which provide for the net proceeds of any loss which is $100,000 or less to be made payable directly to the State University and the net proceeds of any loss which is in excess of $100,000 to be made payable directly to the Trustee for deposit to the credit of the Construction Fund with respect to a Facility (other than a Defeased Facility), and with respect to a Defeased Facility, to the credit of the fund or account from which construction of the Defeased Facility is financed;

(iii) Comprehensive General Liability Insurance as broad as the standard coverage form in use in the State which shall not be circumscribed by any endorsements limiting the breadth of coverage which is not approved in writing by an Authorized Officer of the Authority. The policy shall include an endorsement (broad form) for contractual liability and shall name the Authority and the State University as named insureds, as their respective interests may appear. Limits of liability shall not be less than a combined limit of $2,000,000 per occurrence for bodily injury liability and property damage liability with such deductible amounts per person and in the aggregate as shall be acceptable to an Authorized Officer of the Authority. Such insurance shall be maintained at all times during the Lease Term;

(iv) Property Insurance in an amount not less than eighty per centum (80%) of the full replacement cost of the Facility (meaning replacement cost without allowance for depreciation), exclusive of excavations, foundations and similar property customarily excluded under the standard coverage form in use in the State and providing for protection against loss resulting from fire, lightning, the standard extended coverage insurance perils, vandalism and malicious mischief. All such policies required by this subparagraph shall name the Authority and the State University as named insured, as their respective interest may appear and shall contain standard clauses which provide for the net proceeds of any loss which is $100,000 or less to be made payable directly to the State University and the net proceeds of any loss which is in excess of $100,000 to be made payable directly to the Trustee for deposit to the credit of the Construction Fund or the Debt Service Fund in accordance with the Agreement with respect to a Facility (other than a Defeased Facility), and with respect to a Defeased Facility, to the credit of the fund or account from which construction of the Defeased Facility is financed. Such insurance with respect to any building or improvement shall be maintained at all times after completion of construction thereof;

(v) Use and Occupancy Insurance in an amount agreed to by the parties to the Agreement during such time or times as the use of all or any of the Facilities or any part thereof may be totally or partially interrupted as a result of damage or destruction resulting from perils insured against pursuant to subparagraph (iii) of this Section (a). All such insurance shall be carried for the benefit of the Authority and shall name the Authority as the named insured. Each policy therefor, or contract thereof, shall contain a loss payable clause providing for the proceeds thereof to be payable to the Trustee, and the Rentals due from the State University with respect to the Facilities pursuant to provisions of the Agreement summarized in paragraph (a) under the heading "Payment of Rentals" above shall be reduced by the amount of the payments made to the Trustee from the proceeds of insurance carried pursuant to the foregoing provisions. Such insurance shall be maintained in connection with a Facility at all times during the Lease Term after the Authority shall have re-entered such Facility in accordance with provisions of the Agreement summarized under the headings "Remedies" and "Termination of Agreement by Authority" below; and

(vi) Worker's Compensation and Employers Liability Insurance and each other form of insurance from injuries, sickness, disability or death of employees as the State University may be required by law to provide. All such policies shall name the Authority and the State University as named insured, as their respective interests may appear.

(b) All insurance policies obtained by the Authority under the Agreement shall be open to inspection by the State University and the Trustee at all reasonable times. A complete description of all such policies shall be furnished annually by the Authority to the State University and the Trustee, and if any change shall be made in any such insurance, a description and notice of such change shall be furnished by the Authority to the State University and the Trustee at the time of such change. If, after consultation with the State University, a loss deductible for insured property perils or liability is selected and incorporated into the Authority's property or liability coverages, the State University shall then be responsible for the amount of the deductible that the Authority shall incur from each loss for insured perils or liability.

(c) Notwithstanding any of the foregoing provisions of this Section, the Authority shall not be required to obtain or maintain any class or type of insurance required by the Agreement for which it is authorized and able to provide and maintain an appropriate substitute self—insurance arrangement under which the State University and the Authority would be fully protected from loss or general public liability arising from its ownership or interest in the Facilities, or under which assurance will be provided that funds will be available to repair, restore, rebuild or replace the Facilities upon damage, loss or destruction thereof. No such arrangement or arrangements shall be substituted for the insurance required to be obtained and maintained pursuant to the foregoing provisions of this Section, unless and until each such arrangement shall have been (i) recommended by an insurance consultant selected by an Authorized Officer of the Authority and (ii) approved by the Superintendent of Insurance of the State.

(d) In lieu of separate policies, the Authority may maintain a single policy, blanket or umbrella policies, or a combination thereof, having the coverage required in the Agreement, in which event it shall deposit with the State University a certificate or certificates of the respective insurers as to the amount of coverage in force upon the Facilities.

(e) The State University by the Agreement assumes all risks that the proceeds of any insurance may be inadequate to repair, reconstruct or restore the Facilities or fully to indemnify the State University or Authority against or to reimburse the State University or the Authority for any loss, liability, claim or judgment arising out of any risk, peril or insurable loss under the insurance required by the Agreement.

(Section 5.05)

Damage or Destruction

The State University agrees to notify the Authority and the Trustee immediately in the case of damage to or destruction of a Facility or any portion thereof in an amount exceeding $100,000 resulting from fire or other casualty. In the event that the amount of any such damage or destruction does not exceed $100,000, the State

University will forthwith repair, reconstruct and restore the Facility to substantially the same condition as it existed prior to the event causing such damage or destruction and will apply the net proceeds of any insurance relating such damage received by the State University to the payment or reimbursement of the costs of such repair, reconstruction and restoration. The Authority agrees that the net proceeds of any insurance relating to such damage or destruction, not exceeding $100,000, may be paid directly to the State University.

In the event a Facility or any portion thereof is damaged or destroyed by fire or other casualty and the damage or destruction is estimated to exceed $100,000, then the State University shall within ninety (90) days after such damage or destruction elect one of the following options by written notice of such election to the Authority and the Trustee:

(a) Repair and Restoration. The State University may elect to repair, reconstruct, restore and improve the Facility. In such event the State University shall proceed forthwith to repair, reconstruct and restore the Facility to substantially the same condition as it existed prior to the event causing such damage or destruction. So long as the State University is not in default under provisions of the Agreement summarized in paragraph (a) under the heading "Events of Default," any net proceeds of insurance relating to such damage or destruction received by the Trustee shall be deposited to the credit of the Construction Fund and be applied to finance the Cost of such repair, reconstruction and restoration, to complete the payment of the Cost of such repair, reconstruction and restoration, in the same manner and upon the same conditions as set forth in the Resolution for the payment of the Cost of the Project from the Construction Fund.

It is further understood and agreed that in the event the State University shall elect to repair, reconstruct and restore the Facility, the State University shall complete the repair, reconstruction and restoration of the Facility, whether or not the net proceeds of insurance received by the State University for such purposes and any moneys permitted to be withdrawn from the Dormitory Income Account therefor are sufficient to pay for the same.

(b) Prepayment of Rent. The State University may elect to have the net proceeds of insurance payable as a result of such damage or destruction applied to the prepayment of Rentals under the Agreement. In such event the State University shall, in its notice of election to the Authority and the Trustee, direct that such net proceeds, when and as received, be deposited to the credit of the Debt Service Fund and applied to the redemption of Outstanding Bonds or be held in trust by the Trustee pursuant to the defeasance provisions of the Resolution for the payment of Bonds.

(Section 5.06)

Condemnation

The Agreement and the interest of the State University shall terminate as to a Facility or portion thereof and the Leased Property appertaining thereto condemned or taken by eminent domain when title thereto vests in the party condemning or taking the same (hereinafter referred to as the "termination date"). The State University by the Agreement irrevocably assigns to the Authority all right, title and interest of the State University in and to any net proceeds of any award, compensation or damages (hereinafter referred to as an "award"), payable in connection with any such condemnation or taking during the Lease Term for any Facility other than a Defeased Facility. Such net proceeds shall be initially paid to the Trustee for deposit and application as hereinafter provided.

In the event of any such condemnation or taking the State University shall within ninety (90) days after the termination date therefor elect one of the following options by written notice of such election to the Authority and the Trustee:

(a) Repairs and Improvements. The State University may elect to use the net proceeds of the award made in connection with such condemnation or taking for the repair, reconstruction, restoration and improvement of the Facility. In such event, so long as the State University is not in default under provisions of the Agreement summarized in paragraph (a) under the heading "Events of Default" below, any such net proceeds received by the Trustee shall be deposited to the credit of the Construction Fund and be applied to finance the Cost of such repairs and improvements, to complete the payment of the Cost of such repairs and improvements, in the same manner and upon the same conditions set forth in the Resolution for the payment of the Cost of the Project from the Construction Fund.

(b) Prepayment of Rent. The State University may elect to have the net proceeds payable as a result of condemnation applied to the prepayment of Rentals under the Agreement. In such event the State University shall, in its notice of election to the Authority and the Trustee, direct that such net proceeds, when and as received, be deposited to the credit of the Debt Service Fund and applied to the redemption of Outstanding Bonds or be held in trust by the Trustee pursuant to the defeasance provisions of the Resolution for the payment of Bonds.

The Authority shall cooperate with the State University in the handling and conduct of any prospective or pending condemnation proceedings with respect to a Facility or any part thereof and will, to the extent it may lawfully do so, permit the State University to litigate in any such proceeding in the name and behalf of the Authority. In no event will the Authority voluntarily settle, or consent to the settlement of, any prospective or pending condemnation proceedings with respect to a Facility or any part thereof without the written consent of the State University.

(Section 5.07)

Assignment and Sale of Facilities

The State University will not sell, sublease or otherwise dispose of or encumber its interest in a Facility except as provided in provisions of the Agreement summarized under the heading "Subletting" below. The Agreement may be assigned in whole or in part by the State University upon written consent of the Authority (which consent shall not be unreasonably withheld) but no assignment shall relieve the State University from primary liability for any of its obligations under the Agreement, and in the event of any such assignment the State University shall continue to remain primarily liable for the payments specified in the Agreement and for performance and observance of the other agreements on its part provided in the Agreement.

(Section 7.07)

Use of the Facilities

Except as provided in provisions of the Agreement summarized in the following paragraph, the Facilities will be occupied by the State, the State University or any other governmental agency, department, division, commission or board.

(Section 7.08)

Subletting

The State University will not use, rent or sublease space in a Facility, in excess of the space required for its purposes or related purposes, as determined by an Authorized Officer of the State University, if such use, rental or sublease is not authorized or permitted by law, including the Act, or would, in the opinion of Bond Counsel, adversely affect the exclusion of interest on any of the Bonds from gross income for purposes of federal income taxation. No such use, lease or sublease shall have any adverse effect upon the Agreement or affect or reduce the State University's obligations under the Agreement.

The State University will not rent, sublease or otherwise dispose of all or any portion of a Facility if such rental, sublease or disposition would cause the interest on any of the Bonds to be includable in gross income for purposes of federal income taxation.

(Section 7.09)

Covenant not to Affect the Tax Exempt Status of the Bonds

The State University, so long as it leases a Facility under the Agreement, will take no action, or permit any action to be taken, with respect to the Project or any Facility which will impair the exclusion of interest on any Bonds from gross income for purposes of federal income taxation; it will not invest or otherwise use the proceeds of the Bonds in a manner which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148(a) of the Code, and any proposed or final regulations thereunder as are applicable to any Bond; and neither it nor any "related person," as defined in Section 147(a) (2) of the Code, will, pursuant to an arrangement, formal or informal, purchase Bonds in an amount related to the amount of any obligation to be acquired by the Authority from the State University.

(Section 7.11)

Environmental Quality Review and Historic Preservation

The State University will comply with the provisions of Article 8 of the Environmental Conservation Law and the provisions of the Historic Preservation Act of 1980 of the State applicable to the Project, the alteration or expansion of the Facilities or additions thereto. Unless otherwise agreed by the State University and the Authority, the Authority shall assume primary responsibility or lead agency status under such laws and shall take such actions as may be required to be taken by the lead agency or agency with primary responsibility thereunder. The State University and the Authority each agree to cooperate with and provide assistance to the lead agency or the agency with primary responsibility under such laws, including the preparation and provision of such documents as may be reasonably requested of the State University or the Authority as are necessary to enable the lead agency or the agency with primary responsibility to comply with such laws. Except for paying the costs of studies, plans or designs, no money in the Construction Fund shall be spent on a Facility until the provisions of this Section have been complied with.

(Section 7.12)

Events of Default

An "event of default" or a "default" shall mean, whenever they are used in the Agreement, any one or more of the following events:

(a) Failure by the State University to pay or cause to be paid when due the Rentals to be paid under the Agreement;

(b) Failure by the State University to pay or to cause to be paid when due any other payment required to be made under the Agreement, which failure shall continue for a period of thirty (30) days after payment thereof was due;

(c) Failure by the State University to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in paragraphs (a) and (b) of this Section, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the State University by the Authority, unless by reason of the nature of such failure the same can not be remedied within such thirty (30) day period and the State University has within such period commenced to take appropriate actions to remedy such failure and is diligently prosecuting such actions;

(d) Any representation or warranty of the State University contained in the Agreement shall have been at the time it was made or is thereafter untrue in any material respect;

(e) The State University shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the State University seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it for any substantial part of its property; or the State University shall authorize any of the actions set forth above in this paragraph (e); or

(f) An order or decree appointing a receiver of one or more of the Facilities or any part thereof shall be entered with the consent or acquiescence of the State University or such order or decree shall be entered without the acquiescence or consent of the State University if it shall not be vacated, discharged or stayed within ninety (90) days after entry.

(Section 8.01)

Remedies

Whenever any event of default referred to in the Agreement shall have happened and be continuing, any one or more of the following remedial steps may be taken:

(a) The Authority may re-enter and take possession of one or more of the Facilities without terminating the Agreement, and sublease the same for the account of the State University, holding the State University liable for the difference in the rent and other amounts paid by the sublessee in such subleasing and the rents and other amounts required to be paid by the State University under the Agreement;

(b) The Authority may terminate the Lease Term, exclude the State University from possession of one or more of the Facilities and use its best efforts to lease such Facilities for the account of the State University, holding the State University liable for all rent and other amounts due under the Agreement and not paid by such other lessee;

(c) To the extent the same may be permitted by law, the Authority may terminate the Lease Term, exclude the State University from possession of one or more of the Facilities and sell such Facilities, holding the State University liable for all rent and other amounts due under the Agreement and not paid for by such purchaser; or

(d) The Authority may take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the State University under the Agreement.

Any amounts collected pursuant to action taken under this Section shall be applied in proportion to the total principal amount of Bonds then Outstanding in accordance with the provisions of the Resolution, or if the Bonds and all other amounts due under the Agreement have been fully paid (or provision for payment thereof has been made), such amounts shall be paid to the State University.

(Section 8.02)

Reinstatement

Notwithstanding any termination, except with respect to any Facility and Leased Property appertaining thereto for which in accordance with the provisions of the Agreement summarized under the heading "Remedies" above the Authority shall have entered into an agreement providing for the reletting thereof for a period of at least one year, if all arrears of interest on Outstanding Bonds and interest on overdue installments of principal, premium, if any, and (to the extent permitted by law) interest on such Bonds, at a rate per annum equal to the highest rate per annum borne by any of the Outstanding Bonds, and the principal and premium (if any) on all Bonds then Outstanding which have become due and payable otherwise than by reason that the principal amount thereof shall have been declared by the Trustee to be immediately due and payable, and all other sums payable under the Resolution, except the principal of and the interest on such Bonds which by reason of such declaration shall have become due and payable, shall have been paid, all other things shall have been performed in respect of which there was a default and there shall have been paid the reasonable fees and expenses, including Administrative Expenses, of the Trustee and such declaration under the Resolution is annulled, then the State University's default under the Agreement shall be waived without further action by the Trustee or the Authority. Upon such payment and waiver, the Agreement shall be fully reinstated, as if it had never been terminated, and the State University shall be restored to the use, occupancy and possession of the Facilities and Leased Property.

(Section 8.03)

Termination of Agreement by Authority

If, because moneys are not legally available to the State University for such purpose, the State University (i) fails to pay when due the payments to be paid under the Agreement or (ii) fails to observe and perform any covenant or agreement on its part to be observed or performed under the Agreement, the Authority shall have the right to terminate the Agreement.

In order to exercise such right to terminate the Agreement, the Authority shall, at least thirty (30) days prior to the exercise of such right, notify the State University in writing of the exercise of its rights pursuant to this Section, the basis therefor and the date fixed for such termination.

Upon such termination neither the State University nor the Authority shall have any further obligations under the Agreement, except that the State University's obligations under the Agreement pertaining to indemnification and the State University's obligations to pay any amounts then due and owing under the provisions of the Agreement summarized under the heading "Payment of Rentals" above shall survive such termination.

(Section 9.01)

Right to Lease or Sell Project

Except as otherwise provided in the Agreement, upon the exercise of its right to terminate the Agreement, the Authority shall exclude the State University from possession of the Leased Property and the Facilities and use its best efforts to lease the Leased Property and the Facilities to another party or, to the extent permitted by law, sell the Leased Property and the Facilities.

Any amounts collected pursuant to action taken under this Section shall be applied in accordance with the Resolution.

(Section 9.02)

Reinstatement

Notwithstanding any termination of the Agreement by the Authority in accordance with the provisions of the Agreement relating to termination of the Agreement, except with respect to any Facility and Leased Property appertaining thereto which shall have been sold by the Authority or in connection with which the Authority shall have entered into an agreement providing for the lease of a Facility for a period of at least one year, if all arrears of interest on the then Outstanding Bonds and interest on overdue installments of principal, premium, if any, and (to the extent permitted by law) interest on such Bonds, at a rate per annum equal to the highest rate per annum borne by any of the Bonds, and the principal and premium (if any) on all Bonds then Outstanding which have become due and payable otherwise than by reason that the principal of the Outstanding Bonds shall have been declared by the Trustee to be immediately due and payable, and all other sums payable under the Resolution, except the principal of and the interest on such Bonds which by reason of such declaration shall have become due and payable, shall have been paid, and such declaration under the Resolution is annulled, and if the State University has agreed to pay or provide for the payment of the payments to be paid under the Agreement and if the State University observes or performs or agrees to observe or perform all covenants or agreements on its part to be observed or performed under the Agreement, the Agreement shall be fully reinstated, as if it had never been terminated, and the State University shall be restored to the use, occupancy and possession of the Leased Property and the Facilities.

(Section 9.03)

Operation of Project by the Authority

The State University and the Authority, upon exercise by the Authority of the remedy provided in provisions of the Agreement summarized in paragraphs (a), (b) or (c) under the heading "Remedies" above or upon termination of the Agreement pursuant to provisions of the Agreement summarized under the heading "Termination of Agreement by Authority" above each agree as summarized under the next four headings.

State University as Agent

The Authority by the Agreement appoints the State University as its agent to supervise and conduct the operation, maintenance, repair and replacement of the Project in accordance with the provisions, terms and conditions of the Agreement. The Authority shall pay all costs of operation, maintenance, repair and replacement of the Project. Necessary sub—agents and employees shall be appointed or hired by the Authority on the recommendation of the State University and their wages, salaries or other compensation shall be paid by the Authority. All other expenses of operation, maintenance, repair and replacement incurred by the State University, as agent, shall be paid by the Authority provided the same are in accordance with, and within the amounts set forth in the budget adopted by the Authority.

(Section 10.01)

Termination of Agency Relationship

In the event that the State University shall not operate, maintain, repair and replace the Project, as agent for the Authority, to the satisfaction of the Authority, the Authority may give written notice to the State University setting forth the conditions giving rise to such dissatisfaction and requiring the State University to correct such conditions. If such conditions are not corrected to the satisfaction of the Authority within sixty (60) days after the giving of such notice, the Authority thereafter, upon thirty (30) days' written notice to the State University, may terminate the power of the State University to act as agent for the Authority in relation to the Project. Thereafter, the Project shall be directly operated, maintained, repaired and replaced by the Authority.

(Section 10.02)

Covenants as to Fees and Charges

(a) The amounts, time and manner of payment of all rents, charges and fees charged students and other persons relating to the Project, including rentals charged students and other persons for occupancy of rooms in the Project, shall be fixed by the Authority; **provided, however,** that the amounts, time and manner of payment thereof permit full compliance with the provisions of paragraph (c) of this Section. The State University by the Agreement agrees to collect or cause to be collected such rents, charges and fees as agent of the Authority.

(b) The Authority, upon thirty (30) days notice in writing to the State University, may revise the amount of any rents, charges and fees charged students and other persons relating to the Project. The State University, at any time, shall have the right to consult with the Authority concerning the amounts fixed or to be fixed for such rents, charges and fees.

(c) The rents, charges and fees fixed by the Authority shall be at least sufficient at all times, together with any other moneys available to the Authority: (i) to pay the principal or Sinking Fund Installments of and interest on all Bonds as the same become due and payable; (ii) to pay the costs of operation, maintenance, repair and replacement of the Project; (iii) to maintain the Dormitory Income Account at the Dormitory Income Account Requirement; and (iv) to pay the fees and expenses of the Trustee and the reasonable and proper share of the administrative expenses of the Authority incurred by reason of its ownership, financing and operation of the Project.

(Section 10.03)

Conveyance upon Expiration of Lease Term

When the Lease Term has expired and all of the Bonds, including principal, interest and redemption premium, if any, and all other obligations incurred and to be incurred by the Authority in connection with the Project and the Facilities under the Agreement and under the Resolution have been paid in full or provision has been made for such payment in accordance with the Resolution, the Authority shall transfer, convey, release, assign and set over to the State all of the Authority's right, title and interest in and to the Leased Property and the Facilities by a good and sufficient quit claim deed or such other legal instruments as the Authority and the State University may determine to be necessary or appropriate therefor. The State University shall bear all costs and expenses in connection with the preparation of the documents of conveyance and the delivery thereof and all fees, assessments, taxes and charges payable in connection with the conveyance of title to the Leased Property and the Facilities. Upon conveyance of title and payment therefor as aforesaid, the Agreement shall cease and terminate and all obligations of the State

University under the Agreement, except under provisions of the Agreement summarized under the heading "Indemnification of Authority; Limitation on Liability" above pertaining to indemnification and the obligation of the State University to pay any amounts then due and owing under provisions of the Agreement summarized in paragraphs (b) or (d) under the heading "Payment of Rentals" above, shall be terminated and extinguished.

(Section 11.01)

Abandonment, Withdrawal and Sale of Facilities

Notwithstanding any other provisions of the Agreement and so long as no Event of Default on the part of the State University is occurring under the Agreement, the acquisition, design, construction, reconstruction, rehabilitation, improvement or otherwise providing, furnishing and equipping of any Facility or part thereof may be abandoned and any Facility or part thereof may be withdrawn from the Project, with the written consent of the Authority. Prior to any such abandonment or withdrawal, except in the case of a Defeased Facility, the State University shall first deliver to the Authority and the Trustee a certificate or certificates signed by an Authorized Officer of the State University stating that such Facility or part thereof is no longer useful or necessary in the operation of the dormitory program of the State University, and that such abandonment or withdrawal will not adversely affect the State University's ability to meet its obligations under the Agreement.

Any Facility withdrawn from the Project may be sold for such amount and upon such terms as the Authority and the State University may agree. Except in the case of a Defeased Facility, the proceeds of such sale, up to the principal amount of Outstanding Bonds issued in connection with such Facility plus the accrued interest and premium payable thereon, if any, on the first date thereafter on which such Bonds can be redeemed at the election of the Authority, remaining after deducting therefrom (i) the costs and expenses incurred in connection with such sale and (ii) the Costs of such Facility and any other expenses, liabilities of and moneys owed to the Authority by reason of its undertaking to provide such Facility, shall be paid to the Authority for deposit to the credit of the Construction Fund or applied to the redemption of Outstanding Bonds issued in connection with such Facility, in accordance with the written direction of an Authorized Officer of the Authority, except that such amount may, with the prior written consent of the Authority and the Director of the Division of Budget, which consents shall not be unreasonably withheld or delayed, be used by the State University for any other purpose unless in the opinion of Bond Counsel such use would adversely affect the exclusion of interest on any of the Bonds from gross income for purposes of federal income taxation. In lieu of paying such proceeds to the Authority for the redemption of Bonds, there may be paid to the Authority an amount sufficient to purchase Defeasance Securities the principal of and interest on which, when due, will provide moneys which, together with the moneys, if any, paid to the Authority at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price and interest due and to become due on an aggregate principal amount of the Bonds issued in connection with such Facility equal to the amount required to be paid to the Authority pursuant to the immediately preceding sentence.

(Section 11.02)

Conveyance upon Withdrawal

Upon the withdrawal of a Facility from the Project, the Authority shall contemporaneously convey to or upon the order of the State University all of the Authority's right, title and interest in and to the Facility and the Leased Property appertaining thereto by a good and sufficient quit claim deed or such other legal instruments as the Authority and the State University may determine to be necessary or appropriate therefor. The State University shall bear all costs and expenses in connection with the preparation of the documents of conveyance and the delivery thereof and all fees, assessments, taxes and charges payable in connection with the conveyance of title to such Facility and Leased Property. Upon conveyance of title and payment therefor as aforesaid, the Agreement shall cease and terminate with respect to such Facility and Leased Property and all obligations of the State University under the Agreement relating thereto, except under provisions of the Agreement summarized under the heading "Indemnification of Authority; Limitation on Liability" above pertaining to indemnification and the obligation of the State University to pay any amounts then due and owing under provisions of the Agreement summarized in paragraphs (b) or (d) under the heading "Payment of Rentals" above, shall be terminated and extinguished.

(Section 11.03)

Amendments, Changes and Modifications

The Agreement may be amended, changed or modified in any respect or any provision of the Agreement waived; **provided, however,** that no such amendment, change, modification or waiver shall be made other than pursuant to a written instrument signed by the Authority and the State University; **provided, further,** that no amendment, change or modification shall take effect unless and until (i) if the consent of Holders of Outstanding Bonds is required by the Resolution, there shall have been filed with the Trustee the written consents of the Holders of the percentages of Outstanding Bonds specified in the Resolution, (ii) if the consent of the Trustee is required by the Resolution, the Trustee shall have consented thereto and (iii) an executed copy of such amendment, change or modification, certified by an Authorized Officer of the Authority, shall have been filed with the Trustee.

(Section 12.04)

Investment of Moneys

The State University by the Agreement acknowledges that the Authority may in its sole discretion invest or direct the investment of certain moneys held under the Resolution as provided therein and that no representation or warranty has been made by the Authority with respect to interest rates on, or the amount to be earned as a result of, any such investment. Neither the Authority nor the Trustee shall have any liability arising out of or in connection with the making of any investment authorized by the Resolution in the manner provided therein, for any depreciation in value of any investment or for any loss, direct or indirect, resulting from any such investment.

(Section 12.07)

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a brief summary of certain provisions of the Resolution. This summary does not purport to be complete and reference is made to the Resolution for full and complete statements of such and all provisions. The headings below are not part of the Resolution but have been added for ease of reference only. Defined terms used herein shall have the meanings ascribed to them in Appendix A or in the body of this Official Statement.

Resolution and Bonds Constitute a Contract

With respect to the Bonds, 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 or own the same from time to time, the Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Holders from time to time of such Bonds and the pledge made in the Resolution and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Holders of any and all of such 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 such Bonds over any other Bonds except as expressly provided in the Resolution or permitted by the Resolution.

(Section 1.03)

Authorization and Issuance of Bonds

Authorization of Bonds

The Resolution authorizes the issuance of Bonds of the Authority to be designated as "Lease Revenue Bonds (State University Dormitory Facilities Issue)" and it creates a continuing pledge and lien as provided by the Resolution to secure the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on all the Bonds. The Bonds shall be special obligations of the Authority payable and secured solely in the manner more particularly provided in the Resolution. The aggregate principal amount of Bonds which may be executed, authenticated and delivered is not limited except as provided in the Resolution.

The Bonds of the Authority shall not be a debt of the State, nor shall the State be liable thereon, nor shall the Bonds be payable out of any funds other than those of the Authority pledged by the Resolution to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on all of the Bonds.

(Section 2.01)

Provisions for Issuance of Bonds

The issuance of Bonds shall be authorized by a Series Resolution or Series Resolutions. The Authority shall, in addition to other requirements, deliver or cause to be delivered to the Trustee: a copy of the Resolution and the Series Resolution authorizing such Bonds, certified by an Authorized Officer of the Authority; a copy of the Agreement, certified by an Authorized Officer of the Authority; a copy of the Bond Series Certificate executed in connection with such Bonds; a written order as to the delivery of such Bonds, signed by an Authorized Officer of the Authority, describing the Bonds to be delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered and stating the consideration for such Bonds; a certificate of an Authorized Officer of the Authority (x) stating that, as a result of the issuance of such Bonds, the Authority shall not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution and (y) except in the case of Refunding Bonds, stating that the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution; a certificate of an Authorized Officer of the State University (x) stating that, as a result of the issuance of such Bonds, the State University shall not be in default in the performance of any covenants, conditions, agreements or provisions contained in the Agreement and (y) except in the case of Refunding Bonds, stating that the State University is not in default in the performance of any covenants, conditions, agreements or provisions contained in the Agreement; if Bonds of such Series are Book Entry Bonds, unless the Trustee is a party thereto, a copy of the agreement, if any, between the Authority and the Depository for such Bonds; if a Liquidity Facility or Credit Facility is to be provided in connection with the issuance of Bonds of such Series, such Liquidity Facility or Credit Facility; and an opinion of Bond Counsel concerning the validity of the Resolution and the Bonds.

(Section 2.02)

Additional Obligations

The Authority reserves the right to issue bonds, notes or any other obligations pursuant to other and separate resolutions of the Authority, on a parity with the Bonds then Outstanding, entitled to a charge or lien or right equal, but not prior, to the charge or lien created by provisions of the Resolution summarized under the heading "Pledge of Revenues" below or equal, but not prior, to the rights of the Authority and Holders of Bonds provided by the Resolution or with respect to the moneys pledged by provisions of the Resolution summarized under the heading "Pledge of Revenues" below. The Authority also reserves the right to issue bonds, notes or any other obligations pursuant to other and separate resolutions of the Authority, which are secured on a parity basis by payments to be made by the State University pursuant to the Agreement, including payments from moneys held in the Dormitory Income Account.

(Section 2.05)

Redemption of Bonds

Authorization of Redemption

Bonds subject to redemption prior to maturity pursuant to the Resolution or to a Series Resolution or a Bond Series Certificate shall be redeemable, in accordance with the Resolution, at such times, at such Redemption Prices and upon such terms as may otherwise be specified in the Resolution or in the Series Resolution authorizing such Series or the applicable Bond Series Certificate.

(Section 4.01)

Redemption at the Election or Direction of the Authority

In the case of any redemption of Bonds other than as summarized in the following paragraph, Bonds may be redeemed at the election or direction of the Authority as provided in the Series Resolution authorizing the issuance of such Bonds or the Bond Series Certificate relating to such Bonds. In exercising such election or giving such direction, the Authority shall give written notice to the Trustee and each applicable Facility Provider of its election or direction to redeem, of the Series and of the principal amounts of the Bonds of each Sub-Series and maturity of such Series to be redeemed. The Series, Sub-Series, maturities and principal amounts thereof to be redeemed shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in the Resolution or in the Series Resolution authorizing the issuance of such Bonds or the Bond Series Certificate relating to such Bonds. Such notice shall be given to the Trustee and each applicable Facility Provider at least sixty (60) days prior to the date on which such Bonds are to be redeemed, or such lesser number of days as shall be acceptable to the Trustee. The Authority covenants that in the event notice of redemption shall have been given as provided in provisions of the Resolution summarized under the heading "Notice of Redemption" below, it shall, on or prior to the redemption date, pay to the Trustee the amount of moneys which shall equal the Redemption Price of and the interest accrued and to accrue on the Bonds to be so redeemed to the redemption date, less any moneys held by the Trustee and the Paying Agent available therefor, unless the notice of redemption expressly provides that the redemption is conditioned upon money being available on the redemption date for payment of the Redemption Price.

(Section 4.02)

Redemption Other Than at Authority's Election or Direction

Whenever by the terms of the Resolution the Trustee is required to redeem Bonds through the application of mandatory Sinking Fund Installments, the Trustee shall select the Bonds of the Series, Sub-Series and maturities to be redeemed in the manner summarized in the following paragraph, give the notice of redemption and pay out of moneys available therefor the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, to the appropriate Paying Agents in accordance with the terms of the Resolution.

(Section 4.03)

Selection of Bonds to Be Redeemed

Unless otherwise provided in the Series Resolution authorizing the issuance of Bonds of a Series or the Bond Series Certificate relating to such Bonds, in the event of redemption of less than all of the Outstanding Bonds of like Series, Sub-Series, maturity and tenor, the Trustee shall assign to each Outstanding Bond of the Series, Sub-Series, maturity and tenor 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 the 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 summarized herein) 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 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 Bonds and select part of any Bond for redemption. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; **provided, however,** that only so much of the principal amount of each such Bond of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued shall be redeemed as shall equal the lowest denomination in which the Bonds of such Series are authorized to be issued for each number assigned to it and so selected.

(Section 4.04)

Notice of Redemption

Whenever Bonds are to be redeemed, the Trustee shall give notice of the redemption of the Bonds in the name of the Authority which notice shall specify: (i) the Bonds to be redeemed which shall be identified by the designation of the Bonds given in accordance with the Resolution, the maturity dates and interest rates of the Bonds to be redeemed and the date such Bonds were issued; (ii) the numbers and other distinguishing marks of the Bonds to be redeemed, including CUSIP numbers; (iii) the redemption date; (iv) the Redemption Price; (v) with respect to each such Bond, the principal amount thereof to be redeemed; (vi) the date of publication, if any, of the notice of redemption; (vii) that, except in the case of Book Entry Bonds, such Bonds will be redeemed at the principal corporate trust office of the Trustee giving the address thereof and the name and telephone number of a representative of the Trustee to whom inquiries may be directed; (viii) that no representation is made as to the correctness of the CUSIP number either as printed on the Bonds or as contained in such notice and that an error in a CUSIP number as printed on a Bond or as contained in such notice shall not affect the validity of the proceedings for redemption; and (ix) if the Authority's obligation to redeem the Bonds is subject to one or more conditions, a statement to that effect that describes the condition or conditions to such redemption. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, and that, from and after such date, payment having been made or provided for, interest thereon shall cease to accrue.

Such notice shall be given by mailing a copy of such notice not less than thirty (30) days nor more than sixty (60) days prior to the redemption date or, in the case of Variable Interest Rate Bonds or Option Bonds, such shorter period as shall be established by the Series Resolution authorizing such Bonds or the Bond Series Certificate relating thereto, but in no event less than fifteen (15) days prior to the redemption date. Such notice shall be sent by first class mail, postage prepaid, to the registered owners of the Bonds which are to be redeemed, at their last known addresses, if any, appearing on the registration books not more than ten (10) Business Days prior to the date such notice is given. Upon giving such notice the Trustee shall promptly certify to the Authority that it has mailed or caused to be mailed such notice to the Holders of the Bonds to be redeemed in the manner provided in the Resolution. Such certificate shall be conclusive evidence that such notice was given in the manner required by the Resolution. The failure of any Holder of a Bond to be redeemed to receive such notice shall not affect the validity of the proceedings for the redemption of the Bonds. If directed in writing by an Authorized Officer of the Authority, the Trustee shall also give such notice by publication thereof once in an Authorized Newspaper, such publication to be not less than thirty (30) days nor more than sixty (60) days prior to the redemption date or, in the case of Variable Interest Rate Bonds or Option Bonds, such shorter period as shall be established by the Series Resolution authorizing such Bonds or the Bond Series Certificate relating thereto, but in no event less than fifteen (15) days prior to the redemption date; **provided, however,** that such publication shall not be a condition precedent to such redemption, and failure to so publish any such notice or a defect in such notice or in the publication thereof shall not affect the validity of the proceedings for the redemption of the Bonds.

In addition, the Trustee shall (i) if any of the Bonds to be redeemed are Book Entry Bonds, mail a copy of the notice of redemption to the Depository for such Book Entry Bonds not less than thirty-five (35) days prior to the redemption, but, if notice of redemption is to be published as aforesaid, in no event later than five (5) Business Days prior to the date of publication, and (ii) mail a copy of the notice of redemption to Kenny Information Systems Notification Service and to each Rating Service, in each case at the most recent address therefor, or to any successor' thereof. Such copies shall be sent by certified mail, return receipt requested, but mailing such copies shall not be a condition precedent to such redemption and failure to so mail or of a person to which such copies were mailed to receive such copy shall not affect the validity of the proceedings for the redemption of the Bonds.

(Section 4.05)

Payment of Redeemed Bonds

Notice having been given by mail in the manner provided in the Resolution, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender of such Bonds, other than Book Entry Bonds of like Series, Sub–Series, maturity and tenor to be redeemed in part, at the office or offices specified in such notice, and, in the case of Bonds presented by other than the registered owner, together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date. Payment of the Redemption Price shall be made, upon the request of the registered owner of one million dollars ($1,000,000) or more in principal amount of Bonds to be redeemed, by wire transfer to such registered owner at the wire transfer address in the continental United States to which such registered owner has, at the time such Bonds are surrendered to the Trustee, directed in writing the Trustee to wire such Redemption Price. If there shall be drawn for redemption less than all of the principal amount of a registered Bond, the Authority shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the registered Bond so surrendered, Bonds of like Series, Sub–Series, maturity and tenor in any of the authorized denominations. If, on the redemption date, moneys for the redemption of all Bonds or portions thereof of any like Series, Sub–Series, maturity and tenor to be redeemed, together with interest accrued and unpaid thereon to the redemption date, shall be held by the Trustee and Paying Agents so as to be available therefor on such date and if notice of redemption shall have been mailed as aforesaid, and the conditions, if any, to such redemption have been satisfied or waived by the Authority, then, from and after the redemption date, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds shall no longer be considered to be Outstanding under the Resolution. If such moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

(Section 4.06)

Pledge of Revenues; Funds and Accounts; Revenues and Application Thereof

Pledge of Revenues

The proceeds from the sale of any Bonds, the Revenues and, except as otherwise provided in provisions of the Resolution summarized under the heading "Establishment of Funds and Accounts" below, all funds and accounts established by the Resolution and by any Series Resolution, other than the Arbitrage Rebate Fund, are pledged to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds and as security for the performance of any other obligation of the Authority under the Resolution and under each Series Resolution all in accordance with the provisions of the Resolution and thereof. The pledge made by the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of the any Bonds, the Revenues and all funds and accounts established and pledged by the Resolution and by any Series Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of the Bonds, the Revenues and all funds and accounts established and pledged by the Resolution and by any Series Resolution, which pledge shall constitute a first lien thereon.

(Section 5.01)

Establishment of Funds and Accounts

The following funds and separate accounts within funds are established by the Resolution and, except for the Construction Fund which shall be held and maintained by the Authority, shall be held and maintained by the Trustee:

Construction Fund;
Debt Service Fund; and
Arbitrage Rebate Fund.

All moneys at any time deposited in any fund, account or subaccount created and pledged by the Resolution or by any Series Resolution or required by the Resolution or thereby to be created shall be held in trust for the benefit of the Bondholders, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided in the Resolution; **provided**, **however**, that the moneys derived from the remarketing of Option Bonds tendered or deemed to have been tendered for purchase or redemption in accordance with the Series Resolution authorizing the issuance of such Bonds or the Bond Series Certificate relating to such Bonds or derived from a Liquidity Facility or a Credit Facility relating to such Bonds, and any fund or account established by or pursuant to such Series Resolution for the payment of the purchase price or Redemption Price of Option Bonds so tendered or deemed to have been tendered, shall not be held in trust for the benefit of the Holders of Bonds other than the Holders of such Option Bonds, and such moneys and each such fund and account are pledged by the Resolution for the payment of the purchase price or Redemption Price of such Option Bonds.

(Section 5.02)

Application of Moneys in the Construction Fund

1. Except as otherwise provided in the Resolution and any applicable Series Resolution or Bond Series Certificate, moneys deposited in the Construction Fund shall be used only to pay the Costs of Issuance of the Bonds and the Costs of the Project. For purposes of internal accounting, the Construction Fund may contain one or more subaccounts as the Authority may deem proper.

2. Payments from the Construction Fund shall be made by the Authority upon the filing in the records of the Authority of, and in accordance with, a requisition signed by an Authorized Officer of the Authority stating with respect to each payment to be made (i) in the case of a payment for the Costs of the Project, the Facility in connection with which payment is to be made, (ii) the names of the payees, (iii) the purpose for which payment is to be made in terms sufficient for identification, (iv) the respective amount of each such payment and (v) that such purpose constitutes a proper purpose for which moneys in the Construction Fund may be applied and has not been the basis of any previous withdrawal from the Construction Fund. Notwithstanding the provisions of this subdivision, moneys in the Construction Fund to be applied to pay interest on Bonds shall be transferred from the Construction Fund to the Debt Service Fund at such times and in such amounts as shall be determined by an Authorized Officer of the Authority.

3. A Facility shall be deemed to be complete upon the filing in the records of the Authority of the notice of final completion required by Section 3.07 of the Agreement approved by the State University as provided therein. Upon the filing of notices of final completion relating to all of the Facilities the Project shall be deemed to be

complete. The moneys, if any, then remaining in the Construction Fund, after making provision in accordance with the direction of an Authorized Officer of the Authority for the payment of any Costs of Issuance and Costs of the Project then unpaid, shall be paid by the Authority to the Trustee and applied by it as follows and in the following order of priority:

First: To the Arbitrage Rebate Fund, the amount determined by the Authority to be required to be deposited therein; and

Second: To the Debt Service Fund, any balance remaining.

(Section 5.04)

Deposit of Revenues and Allocation Thereof

1. The Revenues and other moneys, which, by any of the provisions of the Agreement, are to be paid to the Trustee, shall upon receipt thereof be deposited or paid by the Trustee in the following order of priority:

First: To the Debt Service Fund,

(i) in the case of Revenues received during the period from July 1 of a Bond Year until December 31, thereof, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest payable on the next succeeding January 1 on Outstanding Bonds on which interest is payable semiannually on each January 1 and July 1, (b) the interest estimated by the Authority to be payable prior to the next succeeding July 1 on Outstanding Bonds on which interest is payable more frequently than semiannually, (c) the principal and Sinking Fund Installments of Outstanding Bonds payable prior to the next succeeding July 1, and (d) the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption pursuant to provisions of the Resolution summarized under the heading "Debt Service Fund" below, plus accrued interest thereon to the date of purchase or redemption; and

(ii) in the case of Revenues received during the period from January 1 of such Bond Year until June 30 thereof, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest payable on the next succeeding July 1 on Outstanding Bonds on which interest is payable semiannually on each January 1 and July 1, (b) the interest estimated by the Authority to be payable prior to the next succeeding January 1 on Outstanding Bonds on which interest is payable more frequently than semiannually, (c) the principal and Sinking Fund Installments of Outstanding Bonds payable prior to the next succeeding January 1, and (d) the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption pursuant to provisions of the Resolution summarized under the heading "Debt Service Fund" below, plus accrued interest thereon to the date of purchase or redemption;

Second: To reimburse, pro rata, each Facility Provider of a Credit Facility or a Liquidity Facility for Provider Payments which are then unpaid, in proportion to the respective Provider Payments then unpaid to such Facility Provider;

Third: Upon the direction of an Authorized Officer of the Authority, to the Arbitrage Rebate Fund the amount set forth in such direction;

Fourth: To the Authority, the amount of Operating Expenses theretofore paid by the Authority in excess of the moneys theretofore paid to the Authority on account of such Operating Expenses, as certified in writing by an Authorized Officer of the Authority; and

Fifth: To the Authority, such amounts as are then due and owing to the Authority pursuant to the Agreement, including for (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing or construction of one or more Facilities, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Agreement in accordance with the terms thereof and (iii) fees of the Authority; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts then due and owing to the Authority pursuant to the Agreement and payable pursuant to this paragraph Fifth.

2. After making the payments required by subdivision 1 of this Section, any Revenues remaining shall, upon the direction of an Authorized Officer of the Authority, be paid by the Trustee to the Authority for deposit to the Construction Fund or deposited by the Trustee to the Arbitrage Rebate Fund or the Debt Service Fund for application in accordance with provisions of the Resolution summarized under the heading "Debt Service Fund" below, in the respective amounts set forth in such direction. The Trustee shall notify the Authority and the State University promptly after making the payments required by subdivision 1 of this Section of any Revenues then remaining.

(Section 5.05)

Debt Service Fund

1. The Trustee shall on or before the Business Day preceding each date on which the principal or Redemption Price of or interest on Outstanding Bonds is payable, pay to itself and any other Paying Agent out of the Debt Service Fund:

(a) the interest due and payable on all Outstanding Bonds on such interest payment date;

(b) the principal due and payable on all Outstanding Bonds on such interest payment date; and

(c) the Sinking Fund Installments or other amounts related to a mandatory redemption, if any, due and payable on all Outstanding Bonds on such interest payment date.

The amounts paid out pursuant to this Section shall continue to be subject to the pledge made by the Resolution and shall be held by the Trustee and Paying Agents subject to such pledge and applied to such payments.

2. Notwithstanding the provisions of subdivision 1 of this Section, the Authority may, at any time subsequent to the first day of any Bond Year immediately preceding a Bond Year during which a Sinking Fund Installment is payable, but in no event less than forty-five (45) days prior to the succeeding date on which such Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds to be redeemed from such Sinking Fund Installment. Any Term Bond so purchased and any Term Bond otherwise purchased and delivered to the Trustee shall be canceled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so canceled shall be credited against the Sinking Fund Installment due on such date; **provided, however,** that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is given.

3. Moneys in the Debt Service Fund that:

(i) during the period from the beginning of each Bond Year until December 31 thereof, is in excess of the amount required to pay the sum of (i) the principal and Sinking Fund Installments of Outstanding Bonds payable prior to the next succeeding July 1, (ii) the interest payable on the next succeeding January 1 on Outstanding Bonds on which interest is payable semiannually on each January 1 and July 1, (iii) the amount of interest estimated by the Authority to be payable prior to the next succeeding July 1 on Outstanding Bonds on which interest is payable more frequently than semiannually, and (iv) the purchase price or Redemption Price, including accrued interest to the date of such purchase or redemption, payable on or prior to the next succeeding July 1 of Outstanding Bonds theretofore contracted to be purchased or called for redemption, or

(ii) during the period from January 1 until the end of the Bond Year, is in excess of the amount required to pay the sum of (i) the principal and Sinking Fund Installments of Outstanding Bonds payable prior to the next succeeding January 1, (ii) the interest payable on the next succeeding July 1 on Outstanding Bonds on which interest is payable semiannually on each January 1 and July 1, (iii) the amount of interest estimated to be payable prior to the next succeeding January 1 on Outstanding Bonds on which interest is payable more frequently than semiannually, and (iv) the purchase price or Redemption Price, including accrued interest to the date of such purchase or redemption, payable on or prior to the next succeeding January 1 of Outstanding Bonds theretofore contracted to be purchased or called for redemption,

shall in each case be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to the purchase of Outstanding Bonds of any Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Authority shall direct. If fifty (50) days prior to any interest payment date on which Bonds of any Series are subject to redemption the amount of such excess is fifty thousand dollars ($50,000.00) or more, the Trustee shall, to the extent such moneys are sufficient therefor, apply such moneys in accordance with the direction of an Authorized Officer of the Authority given pursuant to provisions of the Resolution summarized under the heading "Redemption at the Election or Direction of the Authority" above to the redemption of Bonds as provided in the Resolution, at the Redemption Prices specified in the applicable Series Resolution or Bond Series Certificate.

(Section 5.06)

Arbitrage Rebate Fund

The Trustee shall deposit to the Arbitrage Rebate Fund any moneys delivered to it by the Authority or the State University for deposit therein and, notwithstanding any other provisions of the Resolution, shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of an Authorized Officer of the Authority, moneys on deposit in any other funds held by the Trustee under the Resolution at such times and in such amounts as shall be set forth in such directions.

Moneys on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which an Authorized Officer of the Authority determines to be in excess of the amount required to be so rebated shall, be deposited to any fund or account established under the Resolution in accordance with the written direction of such Authorized Officer.

The Authority shall periodically, at such times as may be required to comply with the Code, determine the amount required by the Code to be rebated to the Department of the Treasury of the United States of America with respect to each Series of Bonds and (i) transfer or direct the Trustee to transfer from any other of the funds and accounts held under the Resolution and deposit to the Arbitrage Rebate Fund, such amount as the Authority shall have determined to be necessary in order to enable it to comply with its obligation to rebate moneys to the Department of the Treasury of the United States of America with respect to each Series of Bonds and (ii) pay out of the Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 5.10)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if at any time the amounts held in the Debt Service Fund, are sufficient either to pay the principal or Redemption Price of all Outstanding Bonds and the interest accrued and to accrue on such Bonds to the next date on which all such Bonds are redeemable, or to make provision pursuant to the defeasance provisions of the Resolution for the payment of the Outstanding Bonds at the maturity or redemption dates thereof, the Authority may (i) direct the Trustee to proceed to redeem the Outstanding Bonds in the manner provided for redemption of such Bonds by the Resolution and by each Series Resolution as provided in the Resolution, or (ii) give the Trustee irrevocable instructions in accordance with the defeasance provisions of the

Resolution and make provision for the payment of the Outstanding Bonds at the maturity or redemption dates thereof in accordance therewith.

(Section 5.11)

Transfer of Investments

Whenever moneys in any fund or account established under the 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, however,** that no such transfer of investments would result in a violation of any investment standard or restriction applicable to such fund or account.

(Section 5.12)

Security for Deposits and Investment of Funds

Security for Deposits

All moneys held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of the Authority and the Holders of the Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; **provided, however,** (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any moneys with them pursuant to the Resolution and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Bonds, or for the Trustee to give security for any moneys which shall be represented by obligations purchased or other investments made under the provisions of the Resolution as an investment of such moneys.

(Section 6.01)

Investment of Funds and Accounts

1. Moneys held under the Resolution in any fund or account established by the Resolution or by or pursuant to a Series Resolution, if permitted by law, shall, as nearly as may be practicable, be invested in Government Obligations, Federal Agency Obligations, Exempt Obligations, and, if not inconsistent with the investment guidelines of a Rating Service applicable to funds held under the Resolution, any other Permitted Investment; **provided, however***,* that each such investment shall permit the moneys so deposited or invested to be available for use at the times at which the Authority reasonably believes such moneys will be required for the purposes of the Resolution; **provided, further,** that (x) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (y) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Permitted Collateral shall be free and clear of claims of any other person. Moneys held under the Resolution by the Trustee shall be invested by the Trustee upon the direction of an Authorized Officer of the Authority given or confirmed in writing, which direction shall specify the amount to be so invested.

2. Permitted Investments purchased or other investments made as an investment of moneys in any fund or account held under the provisions of the Resolution shall be deemed at all times to be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged to, as the case may be, such fund or account.

3. In computing the amount in any fund or account held by the Trustee under the provisions of the Resolution, each Permitted Investment shall be valued at the market value thereof, plus accrued interest.

4. Notwithstanding anything to the contrary in the Resolution, the Authority, in its discretion, may direct the Trustee to, and the Trustee shall, sell, present for redemption or exchange any investment held by the Trustee pursuant to the Resolution and the proceeds thereof may be reinvested as provided in this Section. Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account in which such investment is held. The Trustee shall advise the Authority, in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund and account in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of subdivisions 1 and 2 of this Section. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund and account in the previous month.

5. No part of the proceeds of any Series of Bonds or any other moneys of the Authority shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Bonds to be an "arbitrage bond" within the meaning of Section 148(a) of the Code.

(Section 6.02)

Particular Covenants

Payment of Principal and Interest

The Authority shall pay or cause to be paid the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on every Bond of each Series on the date and at the places and in the manner provided in the Bonds, according to the true intent and meaning thereof.

(Section 7.01)

Powers as to Bonds and Pledge

The Authority is duly authorized under the Act and all applicable laws to create and issue the Bonds, to adopt the Resolution and each Series Resolution and to pledge the proceeds from the sale of the Bonds, the Revenues and all funds and accounts established and pledged by the Resolution, in the manner and to the extent provided in the Resolution and the Series Resolution. The Authority further covenants that the proceeds from the sale of the Bonds, the Revenues and all funds and accounts established and pledged by the Resolution or by or pursuant to a Series Resolution are and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto, prior to the pledge created by the Resolution. In addition to the rights reserved under the provisions of the Resolution summarized under the heading "Additional Obligations" above, the pledge, lien, charge or encumbrance upon the Revenues created by the Authority to secure its obligations to a Facility Provider of a Credit Facility or a Liquidity Facility may be of equal priority and rank with the charge and lien thereon created by the Resolution. The Authority further covenants that all corporate action on the part of the Authority to that end has been duly and validly taken. The Authority further covenants that the Bonds and the provisions of the Resolution and of each Series Resolution are and shall be the valid and legally enforceable obligations of the Authority in accordance with their terms and the terms of the Resolution and of each Series Resolution. The Authority further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge made by the Resolution and all of the rights of the Bondholders under the Resolution and under each Series Resolution against all claims and demands of all persons whomsoever.

(Section 7.03)

Accounts and Audits

The Authority shall keep proper books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries shall be made of its transactions relating to each Series of Bonds, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of the State University, the Trustee or of any Holder of a Bond or his representative duly authorized in writing. The Trustee shall annually prepare a report which shall be furnished to the Authority, to each Facility Provider and to the State University. Such report shall include at least: a statement of all funds (including investments thereof) held by such Trustee and the Authority pursuant to the provisions of the Resolution and of each Series Resolution; a statement of the Revenues collected in connection with the Resolution and with each Series Resolution; and complete and correct entries of the Authority's transactions relating to each Series of Bonds. A copy of such report shall, upon receipt of a written request therefor, and payment of any reasonable fee or charge made in connection therewith, be furnished to the registered owner of a Bond or any beneficial owner of a Book Entry Bond requesting the same.

(Section 7.05)

Creation of Liens

The Authority shall not create or cause to be created any lien or charge prior to that of the Bonds on the proceeds from the sale of any Bonds, the Revenues or the funds and accounts established by the Resolution or by any Series Resolution which are pledged by the Resolution; nor shall the Authority from and after the date on which Bonds are first issued, issue bonds under or pursuant to the Authority's Revenue Bond Resolution (Dormitory Revenue Bonds, State University Issue), adopted April 13, 1964. Nothing contained in the Resolution shall prevent the Authority from issuing (i) bonds, notes or other obligations under another and separate resolution so long as the charge or lien created by such resolution is not prior to the charge or lien created by the Resolution, (ii) bonds, notes or other obligations under another and separate resolution which are secured on a parity basis by payments to be made by the State University pursuant to the Agreement, including payments from moneys held in the Dormitory Income Account and (iii) incurring obligations or indebtedness to a Facility Provider of a Credit Facility or a Liquidity Facility which are secured by a lien on and pledge of the Revenues which are equal to the lien and pledge thereon made by the Resolution.

(Section 7.06)

Enforcement of Obligations of the State University

The Authority shall take all legally available action to cause the State University to perform fully is obligation to pay the Basic Rent and other amounts which under the Agreement are to be paid to the Trustee, in the manner and at the times provided in the Agreement. The Authority shall take all legally available action to cause the State University to perform fully all duties and acts and comply fully with the covenants of the State University required by the Agreement in the manner and at the times provided in the Agreement; **provided, however,** that the Authority may delay or defer enforcement of one or more provisions of the Agreement (other than provisions requiring the payment of moneys to the Trustee for deposit to any fund or account established under the Resolution) if the Authority determines such delay or deferment will not materially adversely affect the interests of the Holders of the Bonds.

(Section 7.07)

Deposit of Certain Moneys in the Construction Fund

In addition to the proceeds of Bonds to be deposited in the Construction Fund, any moneys paid to the Authority for the acquisition, construction, reconstruction, rehabilitation or improvement of any Facility, including the proceeds of any insurance or condemnation award to be so applied, shall be deposited in the Construction Fund.

(Section 7.08)

Offices for Payment and Registration of Bonds

The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for payment. The Authority may, pursuant to a Supplemental Resolution or a Series Resolution or pursuant to a resolution adopted in accordance with the Resolution, designate an additional Paying Agent or Paying Agents where Bonds of the Series authorized thereby or referred to therein may be presented for payment. The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for registration, transfer or exchange and the Trustee is appointed as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds.

(Section 7.09)

Amendment, Change, Modification or Waiver of Agreement

1. Except as otherwise provided in the Resolution, the Agreement may not be amended, changed, modified or terminated, nor may any provision thereof be waived, without the consent of the Holders of Outstanding Bonds as provided in the Resolution, if such amendment, change, modification, termination or waiver (i) reduces the amount of Basic Rent payable on any date or delays the date on which Basic Rent is payable, (ii) modifies the provisions relating to the establishment and maintenance of, and the time and amounts required or permitted to be deposited to or withdrawn from, the Dormitory Income Account**; provided, however,** that, notwithstanding anything else in the Resolution, the Dormitory Income Account Reserve Requirement, as such term is defined in the Agreement, may be changed at any time so long as no Rating Service then rating the Bonds reduces or withdraws its rating as a result of such change, (iii) modifies the terms or conditions upon which the Agreement may be reinstated pursuant to Section 8.03 or 9.03 of the Agreement, (iv) waives or surrenders any right of the Authority to terminate the Agreement, (v) modifies the events which constitute events of default under Section 8.01 of the Agreement or diminishes, limits or conditions the rights of or remedies which may be exercised by the Authority upon the occurrence of an event of default under the Agreement or (vi) adversely affects the interests of Bondholders in any material respect.

No such amendment, change, modification, termination or waiver shall take effect unless the prior written consent of (a) the Holders of at least a majority in principal amount of the Bonds then Outstanding, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the amendment, change, modification, termination or waiver, the Holders of not less than a majority in principal amount of the Bonds of the Series so affected and then outstanding; **provided, however,** that if such amendment, change, modification, termination or waiver will, by its terms, not take effect so long as any Bonds of any specified Series and maturity remain outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section.

2. The Agreement may be amended, changed or modified or any provision thereof waived in any other respect without the consent of the Holders of Outstanding Bonds, except that no amendment, change or modification thereof to cure any ambiguity or defect or inconsistent provision in the Agreement or to insert such provisions clarifying matters or questions arising under the Agreement as are necessary or desirable, shall be made unless such amendment, change, modification or waiver is not contrary to or inconsistent with the Agreement as theretofore in effect and unless consented to by the Trustee.

3. No amendment, change, modification or termination of the Agreement or waiver of a provision thereof shall be made other than pursuant to a written instrument signed by the Authority and the State University. A copy of each such amendment, change, modification, termination or waiver shall be filed with the Trustee.

4. For the purposes of this Section, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to an amendment, change, modification, termination or waiver permitted by this Section with the same effect as a consent given by the Holder of such Bonds.

For the purposes of this Section, a Series shall be deemed to be adversely affected by an amendment, change, modification or waiver if the same adversely affects or diminishes the rights of the Holders of the Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of any particular Series would be adversely affected in any material respect by any amendment, change, modification or waiver, and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds.

For the purposes of this Section, the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee, with respect to whether any amendment, change, modification or waiver adversely affects the interests of any Holders of Bonds then Outstanding in any material respect.

(Section 7.10)

Notice as to Agreement Default

The Authority shall notify the Trustee that an "event of default" under Section 8.01 of the Agreement has occurred and is continuing, which notice shall be given within five (5) days after the Authority has obtained actual knowledge thereof.

(Section 7.11)

Basic Rent

The Agreement shall provide for the payment of Basic Rent which shall be sufficient at all times to pay the principal and Sinking Fund Installments of and interest on Outstanding Bonds as the same become due and payable.

(Section 7.12)

Sale, Lease or Condemnation of a Facility

The Authority shall not permit the sale, lease or other disposition of a Facility except in accordance with the provisions of the Agreement. The net proceeds of any condemnation which is not to be used for the repair and improvement of a Facility in accordance with Section 5.07 of the Agreement; and the net proceeds of any sale of a Facility, shall be paid to the Trustee and deposited by it to the Debt Service Fund for application in accordance with the provisions of the Resolution summarized under the heading "Debt Service Fund" above.

(Section 7.16)

Compensation

Unless otherwise provided by contract with the Trustee or any Paying Agent, the Authority shall pay to the Trustee and to each Paying Agent, from time to time, reasonable compensation for all services rendered by it under the Resolution and under the applicable Series 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 and under the applicable Series Resolution; **provided, however,** that neither the Trustee nor any Paying Agent shall be entitled to compensation for any expenses, charges, counsel fees or other disbursements incurred in connection with or incident to its resignation or its removal by the Holders of Bonds or by a court of competent jurisdiction as provided in the Resolution whether or not the same were incurred in or about the performance of its powers and duties under the Resolution or under a Series Resolution in connection with its resignation or removal. Neither the Trustee nor a Paying Agent shall have a lien therefor on any and all funds at any time held by it under the Resolution and under the applicable Series Resolution (other than the Arbitrage Rebate Fund) prior to any of the Bonds for which such services have been rendered. The Authority shall indemnify and save the Trustee and each Paying Agent harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Resolution and under the applicable Series Resolution and which are not due to its negligence or default. None of the provisions contained in the Resolution or in any Series Resolution shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to it. The Trustee shall not be required to take any action at the request or direction of a Facility Provider made or given pursuant to the Resolution unless and until such Facility Provider shall have indemnified and saved the Trustee harmless against any liabilities and all reasonable expenses, charges, counsel fees and other disbursements, including those of the Trustee's attorneys, agents and employees, incurred in connection with or as a result of taking the action requested or directed by the Facility Provider to be taken.

(Section 8.06)

Series Resolutions and Supplemental Resolutions

Modification and Amendment Without Consent

Notwithstanding any other provisions of the Resolution, the Authority may adopt at any time or from time to time Series Resolutions or Supplemental Resolutions for any one or more of the following purposes, and any such

Series Resolution or Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority:

(a) To provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;

(b) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(c) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(d) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(e) To confirm, as further assurance, any pledge under the Resolution, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution, of the Revenues, or any pledge of any other moneys, investments thereof or funds;

(f) To modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution or Series Resolution shall cease to be Outstanding, and all Bonds issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent Resolutions;

(g) To modify the provisions of the Resolution summarized in paragraph 1 under the heading “Investment of Funds and Accounts” above in any respect, provided that such modification shall not permit the investment of moneys in the Debt Service Fund in any manner inconsistent with such provisions and shall not result in the suspension, withdrawal or reduction by a Rating Service of the ratings assigned thereby to any of the Outstanding Bonds; or

(h) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable if any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Bondholders in any material respect.

(Section 9.01)

Supplemental Resolutions Effective with Consent of Bondholders

The provisions of the Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of Bondholders in accordance with and subject to the provisions of the Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority. The Trustee shall transmit a copy of such Supplemental Resolution to the State University upon its becoming effective.

(Section 9.02)

General Provisions Relating to Series Resolutions and Supplemental Resolutions

The Resolution shall not be modified or amended in any respect except in accordance with and subject to the provisions of the Resolution. Nothing contained in the Resolution shall affect or limit the rights or obligations of the

Authority to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to the provisions of the Resolution or the right or obligation of the Authority to execute and deliver to the Trustee or any Paying Agent any instrument provided elsewhere in the Resolution or permitted to be delivered to the Trustee or any Paying Agent.

A copy of every Series Resolution and Supplemental Resolution adopted by the Authority, when filed with the Trustee, shall be accompanied by an opinion of Bond Counsel stating that such Series Resolution or Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution and is valid and binding upon the Authority and enforceable in accordance with its terms. The Trustee shall transmit a copy of such Supplemental Resolution to the State University and to each Facility Provider upon its becoming effective.

The Trustee is by the Resolution authorized to accept delivery of a certified copy of any Series Resolution or Supplemental Resolution permitted or authorized pursuant to the provisions of the Resolution and to make all further agreements and stipulations which may be contained therein, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Series Resolution or Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

No Series Resolution or 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 9.03)

Amendments of Resolution

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds under the Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as summarized in the following paragraph, (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (iii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment, Outstanding at the time such consent is given; **provided, however,** that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series, maturity and tenor remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Bondholders. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the Resolution.

(Section 10.01)

Consent of Bondholders

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions summarized in the preceding paragraph to take effect when and as provided in this Section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to the Bondholders (but failure to mail such copy and request to any particular Holder shall not affect the validity of the Supplemental Resolution when consented to as in this Section provided). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consent of the Holders of the percentages of Outstanding Bonds specified as summarized in the preceding paragraph and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of the holding or owning at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive proof that the consents have been given by the Holders of the Bonds described in the certificate or certificates of the Trustee. Any consent given by a Bondholder shall be binding upon the Holder of Bonds giving such consent and, anything in the Resolution to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Bondholder giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee hereinafter in this Section provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that such Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive evidence that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this Section, shall be given to the Bondholders by the Authority by mailing such notice to the Bondholders and, at the discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee hereinabove provided for is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section provided). The Authority shall file with the Trustee proof of the mailing of such notice to the Bondholders, and, if the same shall have been published, of the publication thereof. A transcript, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Trustee, each Paying Agent, and the Holders of all Bonds upon the filing with the Trustee of proof of the mailing of such notice or at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; **provided, however,** that the Authority, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

For the purposes of the Resolution, the purchasers of the Bonds of a Series, whether purchasing in connection with a primary offering or a reoffering of Bonds or as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to a modification or amendment permitted by the Resolution in the manner provided in the Resolution, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; **provided, however,** that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering or reoffering of the Bonds of such Series by the Authority.

(Section 10.02)

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Holders of the Bonds may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of a Supplemental Resolution certified by an Authorized Officer of the Authority and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Resolution, except that no notice to Bondholders either by mailing or publication shall be required.

(Section 10.03)

Defaults and Remedies

Events of Default

An event of default shall exist under the Resolution and under each Series Resolution (in the Resolution called an "event of default") if:

(a) Payment of the principal, Sinking Fund Installments or Redemption Price of any Bond shall not be made by the Authority when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) Payment of an installment of interest on any Bond shall not be made by the Authority when the same shall become due and payable; or

(c) With respect to the Bonds of any Series, the Authority shall default in the due and punctual performance of any covenants contained in the Series Resolution authorizing the issuance thereof to the effect that the Authority shall comply with the provisions of the Code applicable to such Bonds necessary to maintain the exclusion of interest therein from gross income under Section 103 of the Code and shall not take any action which would adversely affect the exclusion of interest on such Bonds from gross income under Section 103 of the Code and, as a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; or

(d) The Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Resolution or in the Bonds or in any Series Resolution on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, unless, if such default is not capable of being cured within thirty (30) days, the Authority has commenced to cure such default within said thirty (30) days and diligently prosecutes the cure thereof.

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default, other than an event of default specified in the provisions of the Resolution summarized in paragraph (c) under the heading "Events of Default" above, then and in every such case the Trustee may, and, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, shall, by a notice in writing to the Authority, declare the principal of all of the Outstanding Bonds to be due and payable. At the expiration of thirty (30) days after such notice is given, such principal shall become and be immediately due and payable, anything in the Resolution or in any Series Resolution or in the Bonds to the contrary notwithstanding. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee shall, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds not then due by their terms and then Outstanding and by written notice to the Authority, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable by the Authority under the Resolution and under each Series Resolution (other than principal amounts payable only because of a declaration and acceleration under this Section) shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution or in any Series Resolution or in the Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this Section) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in the Resolution, then and in every such case, the Trustee may proceed, and upon the written request of the Facility Provider of a Credit Facility, or of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, or, in the case of a happening and continuance of an event of default specified in the provisions of the Resolution summarized in paragraph (c) under the heading "Events of Default" above, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall proceed (subject to the provisions of the Resolution summarized under the heading "Compensation" above), to protect and enforce its rights and the rights of the Bondholders or of such Facility Provider under the Resolution or under any Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under any Series Resolution or in aid or execution of any power in the Resolution or therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Resolution and under each Series Resolution the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any event of default becoming, and at any time remaining, due from the Authority for principal or interest or otherwise under any of the provisions of the Resolution or of any Series Resolution or of the Bonds, with interest on overdue payments of the principal of or interest on the Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under any Series Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against the Authority but solely as provided in the Resolution, in any Series Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

(Section 11.04)

Limitation of Rights of Individual Bondholders

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution, or for any other remedy under the Resolution unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, or, in the case of an event of default specified in the provisions of the Resolution summarized in paragraph (c) under the heading "Events of Default" above, the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are by the Resolution declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution, and in equity or at law. It is understood and intended that no one or more Holders of the Bonds secured by the Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds, except that any proceedings at law or in equity instituted or maintained on account of an event of default specified the provisions of the Resolution summarized in paragraph (c) under the heading "Events of Default" above shall be instituted and maintained solely for the benefit of all Holders of the Bonds affected thereby. Notwithstanding any other provision of the Resolution, the Holder of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the stated maturity of such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

(Section 11.08)

Defeasance

1. If the Authority shall pay or cause to be paid to the Holders of Bonds of a Series the principal, Sinking Fund Installments, if any, or Redemption Price of and interest thereon, at the times and in the manner stipulated therein, in the Resolution and in the applicable Series Resolution and Bond Series Certificate, then the pledge of the Revenues or other moneys and securities pledged by the Resolution to such Bonds and all other rights granted by the Resolution to such Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Authority, and all moneys or investments thereof held by it pursuant to the Resolution and to the applicable Series Resolution which are not required for the payment or redemption of Bonds of such Series shall be paid or delivered by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Facility Provider; and, then, the balance thereof to the Authority. Such moneys or investments thereof so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution.

2. Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in subdivision 1 of this Section. All Outstanding Bonds of any Series or any Sub-Series or maturity within a Series or Sub-Series or a portion of a maturity within a Series or Sub-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 subdivision 1 of this Section if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority, shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to mail as provided in the Resolution notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of said Bonds at their last known addresses appearing on the registration books, and, if directed by an Authorized Officer of the Authority, by publication, at least twice, at an

interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds. The Authority shall give written notice to the Trustee of its selection of the Series, Sub-Series and maturity payment of which shall be made in accordance with this Section. The Trustee shall select the Bonds of like Series, Sub-Series, maturity and tenor payment of which shall be made in accordance with this Section in the manner provided in the provisions of the Resolution summarized under the heading "Selection of Bonds to be Redeemed" above.

Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds; **provided, however,** that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date, as the case may be; **provided, further,** that Defeasance Securities may be withdrawn and used by the Authority for any purpose upon (i) the simultaneous substitution therefor of either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which, together with the moneys, if any, held by or deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (ii) receipt by the Trustee of a letter or other written report a Verification Agent verifying the accuracy of the arithmetical computations which establish the adequacy of such moneys and Defeasance Securities for such purpose. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required in the Resolution to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Facility Provider; and, then, the balance thereof to the Authority. The moneys so paid by the Trustee shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution.

3. For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with clause (b) of the second sentence of subdivision 2 of this Section, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate permitted by the terms thereof; **provided, however**, that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such Maximum Interest Rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Trustee for the payment of interest on such Variable Interest Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Interest Rate Bonds in order to satisfy clause (b) of the second sentence of subdivision 2 of this Section, the Trustee shall pay the amount of such excess as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Facility Provider; and, then, the balance thereof to the Authority. The moneys so paid by the Trustee shall be released from any trust, pledge, lien encumbrance or security interest created by the Resolution.

4. Option Bonds shall be deemed to have been paid in accordance with clause (b) of the second sentence of subdivision 2 of this Section only if, in addition to satisfying the requirements of clauses (a) and (c) of such sentence, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such

Bonds; **provided, however**, that if, at the time a deposit is made with the Trustee pursuant to subdivision 2 of this Section, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this paragraph 4. If any portion of the moneys deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose, the Trustee shall, if requested by the Authority, pay the amount of such excess as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Facility Provider; and, then, the balance thereof to the Authority. The moneys so paid by the Trustee shall be released from any trust, pledge, lien encumbrance or security interest created by the Resolution.

5. Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Bonds of a Series or the interest thereon which remain unclaimed for one (1) year after the date when all of the Bonds of such Series have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, or for one (1) year after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after said date when all of the Bonds of such Series become due and payable, or one (1) year after the date when the principal or Redemption Price of or interest on the Bonds for which said moneys is held was due and payable, shall, at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Authority for the payment of such Bonds; **provided, however,** that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority.

(Section 12.01)

Credit Facility Provider as Holder

If provided or authorized by the Series Resolution authorizing issuance of a Series of Bonds, the Authority may provide for the rights of the Facility Provider of a Credit Facility in connection with Bonds of such Series, which rights may include that, whenever by the terms of the Resolution the Holders of any percentage in principal amount of Outstanding Bonds may exercise any right or power, consent to any amendment, change, modification or waiver, or request or direct the Trustee to take an action, such Facility Provider may be deemed to be the Holder of such Bonds.

(Section 14.08)

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FORM OF APPROVING OPINION
OF BOND COUNSEL

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FORM OF APPROVING OPINION OF BOND COUNSEL

Squire, Sanders & Dempsey L.L.P.
350 Park Avenue
New York, New York 10022

____________, 2008

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

Ladies and Gentlemen:

We have acted as Bond Counsel to the Dormitory Authority of the State of New York, a body corporate and politic constituting a public benefit corporation of the State of New York (the "Authority"), in connection with the issuance and sale by the Authority of its $129,375,000 Lease Revenue Bonds (State University Dormitory Facilities Issue), Series 2008A (the "Series 2008A Bonds"). The Series 2008A Bonds are being issued and sold pursuant to the Dormitory Authority Act constituting Chapter 524 of The Laws of 1944 of New York and codified as Title 4 of Article 8 of the New York Public Authorities Law, as amended to the date hereof (the "Act"), and pursuant to the Lease Revenue Bond Resolution (State University Dormitory Facilities Issue), adopted by the Authority on September 20, 1995, as amended and restated in its entirety on September 24, 2003 (the "Resolution") and the Lease Revenue Bonds (State University Dormitory Facilities Issue) Series 2008A Resolution Authorizing Up To $225,000,000 Series 2008A Bonds, adopted on May 28, 2008 (the "Series 2008A Resolution" and together with the Resolution, the "Resolutions"). The Authority is authorized to issue Lease Revenue Bonds (State University Dormitory Facilities Issue), in addition to the Series 2008A Bonds, upon the terms and conditions set forth in the Resolution and such bonds, when issued, shall, with the Series 2008A Bonds and all other bonds theretofore issued under the Resolution, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution. Defined terms used herein and not otherwise defined shall have the meanings assigned thereto in the Resolutions.

Interest on the Series 2008A Bonds is to be payable semiannually on January 1 and July 1 of each year, commencing on January 1, 2009. The Series 2008A Bonds are to mature on the dates and in the years and amounts, bear interest at the rates as set forth in the Bond Series Certificate executed in connection therewith and the Resolutions.

The Series 2008A Bonds are being issued for the purposes set forth in the Resolutions. The Series 2008A Bonds are to be issued in fully registered form in the denomination of $5,000 at maturity or any integral multiple thereof. The Series 2008A Bonds are payable, subject to redemption or purchase prior to maturity, exchangeable, transferable and secured upon such terms and conditions as are contained in the Bond Series Certificate executed in connection therewith and the Resolutions.

The Authority and the State University of New York (the "University") have entered into a Lease and Agreement, dated as of September 20, 1995, as amended and restated in its entirety as of September 24, 2003 (the "Agreement"), by which the principal and Sinking Fund Installments of and interest on the Series 2008A Bonds, as well as part of the Authority's annual administrative expenditures and costs, are to be paid by the University as Rentals. A portion of the Rentals constituting the Basic Rent payable under the Agreement has been pledged by the Authority for the benefit of the holders of the Series 2008A Bonds.

We have examined a record of proceedings of the Authority in connection with the authorization and issuance of the Series 2008A Bonds and have made such investigation of law and such further review, inquiry or examinations as we have deemed necessary or desirable in rendering the opinions set forth herein.

We are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York, with the right and lawful authority and power to adopt the Resolutions and to issue the Series 2008A Bonds thereunder.

2. The Series 2008A Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution and is authorized and permitted thereby. The Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are the legal, valid and binding obligations of the Authority enforceable in accordance with their terms.

3. The Series 2008A Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State of New York, including the Act, and in accordance with the Resolutions. The Series 2008A Bonds are legal, valid and binding special obligations of the Authority payable as provided in the Resolutions, are enforceable in accordance with their terms and the terms of the Resolutions and are entitled to the benefits of the Resolutions and the Act.

4. The Authority has the right and lawful authority and power to enter into the Agreement, and the Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

5. The Internal Revenue Code of 1986, as amended (the "Code"), prescribes a number of qualifications and conditions for the interest on state and local obligations to be and to remain excluded from gross income for federal income purposes, some of which, including provisions for potential payments by the Authority to the federal government, require future or continued compliance after issuance of the Series 2008A Bonds in order for the interest to be and to continue to be so excluded from the date of issuance. Noncompliance with these requirements by the Authority or the University may cause the interest on the Series 2008A Bonds to be included in gross income for federal income tax purposes and thus to be subject to federal income tax retroactively to the date of their issuance. The Authority and the University have each covenanted, in the Series 2008A Resolution and the Agreement, respectively, to comply with the requirements of the Code, and to take the actions required of it for the interest on the Series 2008A Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. In our opinion, under existing law and assuming compliance with the aforementioned covenants, (i) interest on the Series 2008A Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Code and is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations, and (ii) interest on the Series 2008A Bonds is exempt from personal income taxes imposed by the State of New York and political subdivisions thereof, including the City of New York and the City of Yonkers. However, we note that a portion of the interest on the Series 2008A Bonds earned by corporations may be subject to the federal alternative minimum tax, which is based in part on adjusted current earnings.

We are further of the opinion that the difference between the principal amount of the Series 2008A Bonds maturing on July 1, 2021 bearing interest at 4.250% and July 1, 2028 ("Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount ("OID"). For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent and subject to the same considerations discussed above, as other interest on the Series 2008A Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. A purchaser of a Discount Bond at its issue price in the initial public offering who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond. Initial purchasers of the Series 2008A Bonds maturing on July 1, 2009 through July 1, 2020, inclusive, July 1, 2021 bearing interest at 5.000%, July 1, 2022 through July 1, 2027, inclusive, July 1, 2033 and July 1, 2038, whose initial adjusted basis in such Bonds exceeds the respective principal amount of such Bonds ("Premium Bonds") will have bond premium to the extent of that excess. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield must be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership.

The opinions contained in paragraphs 2, 3, and 4 above are qualified to the extent that the enforceability of the Resolutions, the Series 2008A Bonds and the Agreement may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally or as to the availability of any particular remedy.

Except as stated in paragraph 5 above, we express no opinion as to the federal or state tax consequences of the ownership or disposition of the Series 2008A Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Series 2008A Bonds, or the interest thereon, if any action is taken with respect to the Series 2008A Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

In connection with the delivery of this opinion, we are not passing upon the authorization, execution and delivery of the Agreement by the University or as to the accuracy, completeness or sufficiency of the Official Statement or other offering materials relating to the Series 2008A Bonds except to the extent, if any, stated in the Official Statement.

Very truly yours,

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DORMITORY AUTHORITY OF THE STATE OF NEW YORK • LEASE REVENUE BONDS (STATE UNIVERSITY DORMITORY FACILITIES ISSUE), SERIES 2008A

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