



\$48,180,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
DEPARTMENT OF HEALTH OF THE STATE OF NEW YORK
REVENUE REFUNDING BONDS, SERIES 2011A

Dated: Date of Delivery

Due: July 1, as shown on the inside cover

Payment and Security: The Department of Health of the State of New York Revenue Refunding Bonds, Series 2011A (the “Series 2011A Bonds”) will be special obligations of the Dormitory Authority of the State of New York (the “Authority”). Principal of and interest on the Series 2011A Bonds are payable solely from and secured by a pledge of certain payments (“Annual Payments”) to be made under the Loan Agreement, dated as of July 18, 1990 (the “Agreement”), as amended and supplemented, between the Department of Health of the State of New York (the “Department”) and the Authority, and all funds and accounts (except the Arbitrage Rebate Fund) established under the Authority’s Revenue Bond Resolution (Department of Health of the State of New York, Revenue Bonds) adopted July 18, 1990 (the “Resolution”), as amended and supplemented by a Series Resolution, adopted by the Authority on December 8, 2010 (hereinafter referred to as the “Series 2011A Resolution”).

The obligation of the Department to pay Annual Payments under the Agreement is secured by a pledge of all patient care revenues, together with certain other miscellaneous receipts, to be received by the Department from the operation of the Medical Care Facilities (as hereinafter defined). The Department is obligated by law to pay such revenues into the Health Income Fund, which is maintained as a separate account by the Comptroller of the State of New York (the “Comptroller”). Annual Payments are payable from moneys in the Health Income Fund upon appropriation by the New York State Legislature (the “State Legislature”) and the Department’s obligation to make the Annual Payments is executory and enforceable only to the extent that moneys in the Health Income Fund are so appropriated and are legally available. The State of New York (the “State”) is not bound or obligated to make such appropriations. The Comptroller is required by law to maintain on deposit in the Health Income Fund the aggregate amount of money needed by the Department during the next succeeding six months to meet all of the Department’s obligations to the Authority under the Agreement. See “PART 2 – SOURCES OF PAYMENT AND SECURITY” herein.

The Series 2011A Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power.

Description: The Series 2011A Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2011A Bonds will be due January 1, 2012 and each July 1 and January 1 thereafter. The Series 2011A 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 2011A Bonds will be made in book-entry form without certificates. So long as DTC or its nominee is the registered owner of the Series 2011A Bonds, payments of the principal and Redemption Price of and interest on such Series 2011A Bonds will be made by Manufacturers and Traders Trust Company, Buffalo, New York, as Trustee and Paying Agent, 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 3 - THE SERIES 2011A BONDS - Book-Entry Only System.”

Redemption: The Series 2011A Bonds are subject to redemption prior to maturity as more fully described herein.

Tax Matters: In the opinion of Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2011A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Series 2011A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. Bond Counsel is also of the opinion that, under existing statutes, interest on the Series 2011A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See “PART 11 - TAX MATTERS” herein regarding certain other tax considerations.

The Series 2011A Bonds are offered when, as and if issued and received by the Underwriters. The offer of the Series 2011A Bonds may be subject to prior sale or withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Winston & Strawn LLP, New York, New York. The Authority expects to deliver the Series 2011A Bonds in definitive form in New York, New York, on or about July 13, 2011.

J.P. Morgan

Ramirez & Co., Inc.

\$48,180,000

**DORMITORY AUTHORITY
OF THE STATE OF NEW YORK**

**DEPARTMENT OF HEALTH OF THE STATE OF NEW YORK
REVENUE REFUNDING BONDS, SERIES 2011A**

Due July 1	Amount	Interest Rate	Yield	CUSIP Number⁽¹⁾	Due July 1	Amount	Interest Rate	Yield	CUSIP Number⁽¹⁾
2012	\$1,965,000	2.000%	0.550%	64990HJJ0	2019	\$5,415,000	5.000%	3.200%	64990HJR2
2013	2,035,000	5.000	0.870	64990HJK7	2020	5,690,000	5.000	3.430	64990HJS0
2014	2,135,000	5.000	1.340	64990HJL5	2021	2,755,000	3.250	3.610	64990HJT8
2015	4,460,000	5.000	1.740	64990HJM3	2022	2,865,000	5.000	3.800 ⁽²⁾	64990HJU5
2016	4,680,000	5.000	2.090	64990HJN1	2023	3,000,000	4.000	4.000	64990HJV3
2017	4,910,000	5.000	2.530	64990HJP6	2024	3,110,000	4.000	4.160	64990HJW1
2018	5,160,000	5.000	2.880	64990HJQ4					

⁽¹⁾ Copyright, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the owners of the Series 2011A Bonds. None of the State, the Authority or the Underwriters is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2011A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2011A 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 2011A Bonds.

⁽²⁾ Priced at the stated yield to the July 1, 2021 optional redemption date at a redemption price of 100% of the principal amount of Series 2011A Bonds or portions thereof to be redeemed, plus accrued interest to the date of redemption.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Department, the State or the Underwriters to give any information or to make any representations with respect to the Series 2011A Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by any of the foregoing.

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 2011A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

Certain information in this Official Statement has been supplied by the Department, the State Division of the Budget, DTC and other sources that the Authority believes are reliable. Neither the Underwriters nor the Authority guarantees the accuracy or completeness of such information, and such information is not to be construed as a representation of the Authority.

References in this Official Statement to the Act, the Resolution and the Agreement do not purport to be complete. Refer to the Act, the Resolution and the Agreement for full and complete details of their provisions. Copies of the Resolution and the 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 a determination of relevance, materiality or importance, and all material in this Official Statement, including its appendices, must be considered in its entirety.

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

IN CONNECTION WITH THE OFFERING OF THE SERIES 2011A BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2011A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH, TO THE EXTENT THEY ARE NOT RECITATIONS OF HISTORICAL FACT, CONSTITUTE "FORWARD LOOKING STATEMENTS." IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTENT," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD LOOKING STATEMENTS. A NUMBER OF IMPORTANT FACTORS AFFECTING THE AUTHORITY AND THE STATE'S FINANCIAL RESULTS COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE STATED IN THE FORWARD LOOKING STATEMENTS.

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

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

OFFICIAL STATEMENT RELATING TO
\$48,180,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
DEPARTMENT OF HEALTH OF THE STATE OF NEW YORK
REVENUE REFUNDING BONDS, SERIES 2011A

PART 1 - INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page, inside cover page and appendices, is to provide information about the Authority, the State and the Department in connection with the offering by the Authority of \$48,180,000 principal amount of Dormitory Authority of the State of New York Department of Health of the State of New York Revenue Refunding Bonds, Series 2011A (the “Series 2011A Bonds”).

The following is a description of certain information concerning the Series 2011A Bonds, the Authority and the Department. A more complete description of such information and additional information that may affect decisions to invest in the Series 2011A Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issue

The Series 2011A Bonds will be issued to refund certain outstanding Department of Health of the State of New York bonds issued by the Authority. Proceeds from the sale of the Series 2011A Bonds will be used (i) to provide, together with other available funds, for payment of the redemption price of and accrued interest to the respective redemption dates of the Refunded Bonds (hereinafter defined) and (ii) to pay the Costs of Issuance of the Series 2011A Bonds. See “PART 6 – THE REFUNDING PLAN” and “PART 7 - ESTIMATED SOURCES AND USES OF FUNDS.”

Authorization of Issuance

The Series 2011A Bonds will be issued pursuant to the Resolution, the Series 2011A Resolution and the Act. In addition to the Series 2011A Bonds, the Resolution authorizes the issuance of one or more Series of Bonds to finance the Costs of one or more Projects, pay the Costs of Issuance of such Series of Bonds, make payments to the Comptroller for deposit to the Health Income Fund, make deposits to the Building and Equipment Reserve Fund and to refund all or a portion of Outstanding Bonds or other notes or bonds of the Authority issued in connection with a Project. The Bonds permitted to be issued under the Resolution include Fixed Interest Rate Bonds, Capital Appreciation Bonds, Deferred Income Bonds, Option Bonds and Variable Interest Rate Bonds. All Bonds issued under the Resolution will rank on a parity with each other and will be secured equally and ratably with each other.

The Authority

The Authority is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public-purpose facilities for certain healthcare, educational, governmental and not-for-profit institutions. See “PART 8 - THE AUTHORITY.”

The Department

The Department is a civil department of the State Government. The mission of the Department is to ensure the availability of appropriate high-quality health services at reasonable cost to all State residents. See “PART 4 - THE DEPARTMENT OF HEALTH.”

The Medical Care Facilities

Section 403 of the Public Health Law enumerates the facilities which are part of the Department: the Roswell Park Cancer Institute, the Helen Hayes Hospital, the New York State Home for Veterans and their Dependents at Oxford, the New York State Home for Veterans in the City of New York, the New York State Home for Veterans in Western New York and the New York State Home for Veterans in the Lower Hudson Valley. These facilities, other than the New York State Home for Veterans in the City of New York, are referred to herein as the “Medical Care Facilities.” See “PART 5 - THE MEDICAL CARE FACILITIES.”

The Series 2011A Bonds

The Series 2011A Bonds will be dated and bear interest from their date of issuance, payable each January 1, and July 1, commencing January 1, 2012. The Series 2011A Bonds will bear interest at the rates and mature at the times set forth on the inside cover page of this Official Statement. See “PART 3 - THE SERIES 2011A BONDS - Description of the Series 2011A Bonds.”

Payment of the Series 2011A Bonds

The Series 2011A Bonds will be special obligations of the Authority payable solely from the Annual Payments to be made by the Department under the Agreement. Annual Payments are payable from moneys in the Health Income Fund upon appropriation by the State Legislature. Pursuant to the Resolution, such payments and the Authority’s right to receive the same have been pledged to the Trustee. See “PART 2 - SOURCES OF PAYMENT AND SECURITY.”

Security for the Series 2011A Bonds

The Series 2011A Bonds will be secured equally with all other Bonds issued or to be issued under the Resolution by the pledge and assignment to the Trustee of certain payments to be made by the Department to the Authority under the Agreement. Pursuant to the Agreement, the Authority has directed that the amount of such payments which constitute Annual Payments be paid directly to the Trustee. The Series 2011A Bonds will also be secured by the Health Income Fund Assets and all funds and accounts established by the Resolution (with the exception of the Arbitrage Rebate Fund), which includes a Building and Equipment Reserve Fund. Neither a Project nor any security interest therein secures the payment of Bonds, including the Series 2011A Bonds. See “PART 2 - SOURCES OF PAYMENT AND SECURITY - Security for the Bonds.”

The Series 2011A Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power.

The Refunding Plan

All of the Authority’s outstanding Department of Health of the State of New York Revenue Refunding Bonds, Series 1998 (the “Refunded 1998 Bonds”) and certain of the Authority’s outstanding Department of Health of the State of New York Revenue Bonds, Series 1999A (the “Refunded 1999A Bonds” and, together with the Refunded 1998 Bonds, the “Refunded Bonds”) will be refunded with a portion of the proceeds of the Series 2011A Bonds. The Refunded 1998 Bonds will be called for redemption on August 12, 2011 at the redemption price equal to 100% of the principal amount of the Refunded 1998 Bonds, plus accrued and unpaid interest to the redemption date. The Refunded 1999A Bonds will be called for redemption on January 1, 2012 at the redemption price equal to 100%

of the principal amount of the Refunded 1999A Bonds, plus accrued and unpaid interest to the redemption date. See “PART 6 - THE REFUNDING PLAN.”

PART 2 - SOURCES OF PAYMENT AND SECURITY

Set forth below is a narrative description of certain contractual and legislative provisions relating to the sources of payment and security for the Bonds, including the Series 2011A Bonds, issued under the Resolution. 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. See also “Appendix C - Summary of Certain Provisions of the Agreement” and “Appendix D - Summary of Certain Provisions of the Resolution.”

Payment of the Bonds

Special Obligations

The Bonds issued under the Resolution, including the Series 2011A Bonds, are special obligations of the Authority payable solely from the Revenues, the Health Income Fund Assets and all funds and accounts established by the Resolution (excluding the Arbitrage Rebate Fund). The Revenues include the Annual Payments and consist of the payments receivable by the Authority to be made by the Department to the Trustee pursuant to the Agreement (excluding payments for such Trustee’s fees and expenses and payments for deposit in the Arbitrage Rebate Fund). The Revenues and the Authority’s right to receive them have been pledged for the benefit of the Holders of the Bonds, including the Series 2011A Bonds.

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

Annual Payments

The Annual Payments are to provide amounts sufficient to pay debt service on Outstanding Bonds, as such debt service becomes due, and to maintain the Building and Equipment Reserve Fund at its requirement. The Annual Payments are to be paid by the Department directly to the Trustee in semiannual installments payable on November 15 and May 15 of each Bond Year. Each installment must at least equal (i) the interest payable on Outstanding Bonds on or prior to the next succeeding January 1 or July 1, respectively; (ii) the interest on Outstanding Variable Interest Rate Bonds estimated by the Authority to be payable on or prior to the next succeeding January 1 or July 1, respectively; (iii) one-half of the principal and Sinking Fund Installments, if any, of the Outstanding Bonds payable on the next succeeding July 1; (iv) such amount, if any, as shall be necessary to provide for the repayment in accordance with the Agreement of amounts withdrawn from the Building and Equipment Reserve Fund; (v) on May 15 of each Bond Year, the amount, if any, as shall have been set forth in a certificate of the Trustee made pursuant to the Resolution as necessary on June 30 of the immediately preceding calendar year to restore the Building and Equipment Reserve Fund to the Building and Equipment Reserve Fund Requirement; and (vi) at least 30 days prior to any date on which the Redemption Price of Bonds previously called for redemption is to be paid, the amount required to pay the Redemption Price of such Bonds. See “- Building and Equipment Reserve Fund” below.

The Department shall receive a credit against the payments required to be made pursuant to (i), (ii), (iii) and (vi) above in an amount equal to the amount by which the amount in the Debt Service Reserve Fund on the date any such payment is to be made exceeds the amount required pursuant to the Resolution to be on deposit in such fund or required to pay the purchase price or Redemption Price, including accrued interest to the date of purchase or redemption, of Outstanding Bonds theretofore contracted to be purchased or called for redemption.

Health Income Fund

The Department is obligated by law to pay all patient care revenues, together with other miscellaneous receipts, received by the Department from the operation of the Medical Care Facilities into the Health Income Fund, which is maintained as a separate account by the Comptroller. The Comptroller is required by law to maintain in the Health Income Fund the aggregate amount of money needed by the Department during the next succeeding six months to meet the Department’s obligations to the Authority under the Agreement. Any balance in excess of such requirement is to be transferred by the Comptroller to help pay other expenses relating to the Medical Care

Facilities. On the date of delivery of the Series 2011A Bonds, the Comptroller is required to have on deposit in the Health Income Fund an amount equal to its requirement. The maintenance of the required amount in the Health Income Fund and payment of other components of the Annual Payments are dependent upon the continued receipt of patient care revenues. See “PART 4 -THE DEPARTMENT OF HEALTH - The Health Income Fund.”

Under the Agreement, subject to annual appropriation, the Health Income Fund Assets are assigned as security to the Authority. Under the Resolution, such moneys are assigned by the Authority to the Trustee. Each such assignment is subject to the application of moneys in excess of the amount required to be maintained in the Health Income Fund.

State Appropriation

Appropriation for Annual Payments

Annual Payments shall be paid by the Department, upon the appropriation by the State Legislature, from patient care revenues and other miscellaneous receipts received by the Department from the operation of the Medical Care Facilities and deposited into the Health Income Fund. The State is not bound or obligated to make such appropriations. The Department is obligated to make payments only to the extent that amounts are on deposit in the Health Income Fund. If the Department is not able to make a payment because of insufficient funds in the Health Income Fund and other moneys are not legally available to the Department for such purpose, the Department has agreed to bring the matter to the attention of the appropriate officials of the State in an attempt to obtain the funds necessary to make any unpaid payment.

Appropriation for Operations

All operating expenses of the Medical Care Facilities are paid from moneys appropriated by the State Legislature. The payment of Annual Payments are payable from amounts held in the Health Income Fund which are derived from operation of the Medical Care Facilities. Accordingly, the payment of annual payments is dependent on the continued and successful operation of the Medical Care Facilities. Therefore, the successful maintenance and operation of the Medical Care Facilities are dependent on the ability and willingness of the State Legislature to continue making appropriations in the amounts required for the operations of the Medical Care Facilities. There can be no assurance that State funds will be appropriated or available in amounts contemplated or required by the Department to operate the Medical Care Facilities. Consequently, the ability of the Department to continue to operate the Medical Care Facilities is dependent in major part on the State’s financial condition. For a discussion of recent events affecting the State’s financial condition as well as financial and other data relating to the State, see “Appendix B - Information Concerning the State of New York.”

Limitations of Appropriations

The Department’s obligation to pay the Annual Payments is dependent upon an annual appropriation by the State Legislature and the availability of moneys for such payments. The payment of operating expenses of the Medical Care Facilities is also dependent upon annual appropriation by the State Legislature. The determination of the amount to be appropriated by the State is a legislative act and the State is not legally obligated and cannot be compelled to appropriate moneys for the payment of the Annual Payments or the operating costs of the Medical Care Facilities.

The failure to make an appropriation will not constitute an event of default under the Resolution or the Agreement. However, if the State Legislature appropriates moneys for the payment of the Annual Payments and the appropriation has not lapsed or been repealed, the Department’s obligation to pay the Annual Payments will be enforceable up to the amount appropriated and available therefor and the failure of the Department to pay the Annual Payments will be an event of default under the Agreement.

The Agreement and the Department’s obligation to pay the Annual Payments do not constitute a debt of the State under or within the meaning of the State Constitution or the State Finance Law of the State.

Title to the Medical Care Facilities

The Medical Care Facilities are currently owned by the Authority but occupied and operated by the Department, except for the Roswell Park Cancer Institute (the "Institute"), which is managed by Roswell Park Cancer Institute Corporation ("RPCI"). The Agreement provides that the Department will continue to occupy and operate the Medical Care Facilities. The Agreement contemplates, but does not require, that title to the Medical Care Facilities may be conveyed to the Department or other State agency prior to payment of the Outstanding Bonds. If title is conveyed, the Agreement will continue in full force and effect so long as Bonds remain Outstanding and the Department has not paid or made provision for payment of its other obligations under the Agreement.

Defaults and Remedies under the Agreement

The following are events of default under the Agreement: (i) the failure by the Department, from moneys appropriated and available to it, to pay the Annual Payments within ten days after payment is due or to pay any other payment under the Agreement within 30 days after payment is due; (ii) as a result of a default in payment or performance by the Department under the Agreement, the Authority defaults in the payment or performance of any of its obligations under the Resolution; (iii) section 403 of the Public Health Law is amended in the future to remove one or more of the Medical Care Facilities from the Department's facilities; (iv) the moneys which the Commissioner is directed to pay to the Comptroller to be deposited by the Comptroller in the Health Income Fund are not paid to the Comptroller and deposited in the Health Income Fund; (v) the Comptroller shall not have on deposit the aggregate amount of money needed by the Department during the next succeeding six calendar months to make Annual Payments relating to such period; or (vi) the duties or responsibilities of the Comptroller under Section 409 of the Public Health Law are amended or modified so as to impair in any material respect the Department's ability to pay the Annual Payments when due or to comply with any other of its obligations under the Agreement.

Upon the occurrence of any event of default under the Agreement, the Authority may exercise any remedies available by law. For a more complete description of the defaults and remedies under the Agreement, see "Appendix C - Summary of Certain Provisions of the Agreement."

Security for the Bonds

The Bonds, including the Series 2011A Bonds, are secured by a first lien on the Revenues, the Health Income Fund Assets and the funds and accounts established under the Resolution, other than the Arbitrage Rebate Fund. The Authority has pledged to the Trustee its right to receive the portion of the Annual Payments constituting the Revenues. Under the Agreement, the Authority has directed, and the Department has agreed, that such portion of the Annual Payments be paid directly to the Trustee. Prior Bonds under the Resolution are Outstanding in the amount of \$286,895,000 as of March 31, 2011.

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

Health Income Fund Assets

The Department, as authorized by Section 409 of the Public Health Law, has pledged and assigned to the Authority (subject to the power to pay out such excess moneys in the Health Income Fund to RPCI and the DOH Hospital Holding Account as described herein) all moneys and investments held at any time in the Health Income Fund as security for payment of the Annual Payments and other payments due or which become due from the Department pursuant to the Agreement. The pledge and assignment will continue and be enforceable even if the Department's obligations to make payments under the Agreement are not enforceable, in whole or in part, because either the amount in the Health Income Fund is not sufficient or the State has failed to appropriate the moneys in the

Health Income Fund for such payments. The Authority has pledged and assigned its interest in the assets of the Health Income Fund to the Trustee to secure its obligations to the Bondholders.

Building and Equipment Reserve Fund

The Building and Equipment Reserve Fund is established by the Authority under the Resolution. The Resolution does not prescribe a minimum amount for the Building and Equipment Reserve Fund Requirement and the requirement established by the Authority may be changed at any time. The Authority has established the Building and Equipment Reserve Fund Requirement at \$15,460,081.88.

The Building and Equipment Reserve Fund is available to pay debt service on the Bonds, including the Series 2011A Bonds, to the extent moneys are on deposit therein. The Agreement provides that the amount necessary to restore the Building and Equipment Reserve Fund to the Building and Equipment Reserve Fund Requirement following a withdrawal therefrom to pay debt service on the Bonds is to be included in the Annual Payments in two equal semi-annual payments payable by the Department on November 15 and May 15 of the next succeeding Bond Year.

Subject to the foregoing, moneys in the Building and Equipment Reserve Fund may be used to pay the costs, other than ordinary maintenance and repair, of renewing, repairing, replacing, renovating and improving any Project and its equipment and to the renewal, replacement and repair of damaged property of any Project. Amounts withdrawn for such purposes are to be repaid by the Department in ten equal semi-annual payments commencing on May 15 of the Bond Year following the Bond Year during which such withdrawal was made.

The Building and Equipment Reserve Fund was initially funded with deposits aggregating \$15,460,081.00. Portions of such deposits were withdrawn for renewing, repairing, renovating and improving Projects four times and the amount on deposit in the Building and Equipment Reserve Fund as of June 1, 2011 is \$13,520,288.86. The amounts withdrawn are scheduled to be repaid pursuant to the Agreement in separate semi-annual payments of (i) \$300,000.00 commencing May 15, 2007 and continuing through and including November 15, 2011; (ii) \$164,367.00 commencing May 15, 2007 and continuing through and including November 15, 2011; (iii) \$155,151.00 commencing May 15, 2008 and continuing through and including November 15, 2012; and (iv) \$180,000.00 commencing May 15, 2012 and continuing through and including November 15, 2016. Notwithstanding the foregoing, when the amounts on deposit in the Building and Equipment Reserve Fund (including any investment earnings of the amounts on deposit therein) are restored to equal \$15,460,081.00, no further repayments shall be required to be made by the Department with respect to the amounts withdrawn as of June 1, 2011.

Moneys in the Building and Equipment Reserve Fund in excess of the Building and Equipment Reserve Fund Requirement established by the Authority may be withdrawn and applied in accordance with the Resolution. See "Appendix D - Summary of Certain Provisions of the Resolution."

Events of Default and Remedies

The following are events of default under the Resolution: (i) a default in the payment of the principal, Sinking Fund Installments or Redemption Price of or interest on any Bonds; (ii) the Authority shall default in the due and punctual performance of the covenants contained in the Resolution and as a result thereof, interest on the Series 2011A Bonds becomes includable in gross income for federal income tax purposes; and (iii) a default by the Authority in the due and punctual performance of any other covenant, condition, agreement or provision contained in the Series 2011A Bonds or in the Resolution which continues for 30 days after written notice thereof is given to the Authority by the Trustees (such notice to be given at the Trustee's discretion or at the written request of Holders of not less than 25% in principal amount of Outstanding Bonds).

The Resolution provides that if an event of default occurs and continues, the Trustee may, and upon written request of the Holders of not less than 25% in principal amount of the Outstanding Bonds, shall (i) declare the Outstanding Bonds to be due and payable; (ii) by suit, action or proceeding in equity or at law, enforce all rights of the Bondholders under the Resolution and the laws of the State; (iii) bring suit upon the Bonds against the Authority; (iv) bring suit for the specific performance of any covenant under the Resolution or execution of any power granted in the Resolution; (v) by an action or suit, require the Authority to account as if it were the trustee of an express trust

for the Holders of the Series 2011A Bonds; or (vi) by action or suit, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Series 2011A Bonds.

The Resolution provides that the Trustee is to give notice in accordance with the Resolution of each event of default known to the Trustee to the Holders within 30 days after the Trustee obtains knowledge of the occurrence thereof, unless such default has been remedied or cured before the giving of such notice. However, except in the case of default in the payment of principal or Redemption Price of or interest on any of the Bonds, the Trustee will have no liability for withholding such notice if the Trustee in good faith determines that withholding notice is in the best interests of the Holders of the Bonds. See “Appendix D – Summary of Certain Provisions of the Resolution.”

General

The Series 2011A Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power. See “PART 8 - THE AUTHORITY.”

PART 3 - THE SERIES 2011A BONDS

Description of the Series 2011A Bonds

The Series 2011A Bonds will be issued pursuant to the Resolution and the Series 2011A Resolution, are to be dated their date of issuance and will bear interest, payable each January 1 and July 1, commencing January 1, 2012 at the rates and mature at the times set forth on the inside cover page of this Official Statement.

The Series 2011A Bonds will be issued as fully registered bonds. The Series 2011A Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. The Series 2011A Bonds will be registered in the name of Cede & Co., as nominee of DTC pursuant to DTC’s Book-Entry Only System. Purchases of beneficial interests in the Series 2011A Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued, the Series 2011A Bonds will be exchangeable for other fully registered certificated Series 2011A Bonds in any authorized denominations of the same series, maturity and interest rate. See “THE SERIES 2011A BONDS - Book-Entry Only System” herein. The Trustee may impose a charge sufficient to reimburse the Authority or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a Series 2011A Bond. The cost, if any, of preparing each new Series 2011A Bond issued upon such exchange or transfer, and any other expenses of the Authority or the Trustee incurred in connection therewith, will be paid by the person requesting such exchange or transfer.

The principal and Redemption Price of and interest on the Series 2011A Bonds will be payable in lawful money of the United States of America. The principal or Redemption Price of the Series 2011A Bonds will be payable at the principal corporate trust office of Manufacturers and Traders Trust Company, Buffalo, New York, the Trustee and Paying Agent. Interest on the Series 2011A Bonds will be payable by check or draft mailed to the registered owners thereof at their addresses as shown on the registration books held by the Trustee. Interest is payable to the registered owners who are such registered owners at the close of business on the fifteenth day of the calendar month next preceding an interest payment date. Such Bondholders may receive the Redemption Price by wire transfer at the address in the continental United States specified by such Bondholder in a written request to the Trustee not later than upon presentation and surrender to the Trustee of the Series 2011A Bond to be redeemed.

For a more complete description of the Series 2011A Bonds, see “Appendix D–Summary of Certain Provisions of the Resolution.”

Redemption Provisions

The Series 2011A Bonds are subject to redemption as described below.

Optional Redemption. The Series 2011A Bonds maturing on or before July 1, 2021, are not subject to optional redemption prior to maturity. The Series 2011A Bonds maturing after July 1, 2021, are subject to redemption prior to maturity on or after July 1, 2021, in any order, at the option or direction of the Authority as a whole at any time or in part on any interest payment date, at a redemption price equal to 100% of the principal

amount of the Series 2011A Bonds or portions thereof to be redeemed, plus accrued interest to the date of redemption.

Selection of Series 2011A Bonds to be Redeemed. In the case of Series 2011A Bonds to be redeemed at the option or direction of the Authority, the Authority will select the maturities and principal amounts of the Series 2011A Bonds to be redeemed. If less than all of the Series 2011A Bonds of a maturity are to be redeemed, the Series 2011A Bonds of such maturity to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee deems proper in its discretion.

Notice of Redemption. The Trustee is to give notice of the redemption of the Series 2011A Bonds in the name of the Authority by first-class mail not less than 30 days nor more than 45 days prior to the redemption date to the registered owners of any Series 2011A Bonds which are to be redeemed, at their last known addresses appearing on the registration books. The failure of any owner of a Series 2011A Bond to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such Series 2011A Bond. If directed in writing by an Authorized Officer of the Authority, the Trustee is to publish or cause to be published such notice in an Authorized Newspaper not less than 30 days nor more than 45 days prior to the redemption date, provided that the failure to publish such notice or any defect therein will not affect the validity of the proceedings for redemption of the Series 2011A Bonds.

If, on the redemption date, moneys for the redemption of the Series 2011A 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, then interest on the Series 2011A Bonds of such maturity will cease to accrue from and after the redemption date and such Series 2011A Bonds will no longer be considered to be Outstanding under the Resolution.

Principal, Sinking Fund Installments and Interest Requirements for the Bonds

The following table sets forth the amounts required to be paid by the Department during each twelve-month period ending June 30 of the years shown for the payment of the debt service on Outstanding Bonds, payment of interest on the Series 2011A Bonds payable on January 1 of such twelve-month period and the principal of and interest on the Series 2011A Bonds payable on the succeeding July 1 and the aggregate payments to be made by the Department during each such period with respect to debt service on the Series 2011A Bonds and the Bonds Outstanding under the Resolution:

Year Ending June 30	Debt Service On Outstanding Bonds ⁽¹⁾⁽²⁾	Series 2011A Bonds			Total Debt Service On Outstanding Bonds
		Principal	Interest	Total Debt Service	
2012	\$22,533,135	\$1,965,000	\$2,166,046	\$4,131,046	\$26,664,181
2013	22,544,510	2,035,000	2,201,438	4,236,438	26,780,948
2014	22,540,498	2,135,000	2,099,688	4,234,688	26,775,185
2015	20,321,048	4,460,000	1,992,938	6,452,938	26,773,985
2016	20,535,044	4,680,000	1,769,938	6,449,938	26,984,981
2017	20,530,650	4,910,000	1,535,938	6,445,938	26,976,588
2018	20,529,775	5,160,000	1,290,438	6,450,438	26,980,213
2019	20,533,745	5,415,000	1,032,438	6,447,438	26,981,183
2020	20,519,560	5,690,000	761,688	6,451,688	26,971,248
2021	23,496,425	2,755,000	477,188	3,232,188	26,728,613
2022	23,503,850	2,865,000	387,650	3,252,650	26,756,500
2023	23,666,175	3,000,000	244,400	3,244,400	26,910,575
2024	19,897,875	3,110,000	124,400	3,234,400	23,132,275
2025	21,027,875	—	—	—	21,027,875
2026	2,852,750	—	—	—	2,852,750
2027	2,858,550	—	—	—	2,858,550
2028	2,859,800	—	—	—	2,859,800
2029	1,460,550	—	—	—	1,460,550
2030	1,460,550	—	—	—	1,460,550
2031	1,458,050	—	—	—	1,458,050
2032	1,458,050	—	—	—	1,458,050
2033	1,463,188	—	—	—	1,463,188
2034	1,465,475	—	—	—	1,465,475
2035	1,464,913	—	—	—	1,464,913
2036	1,466,500	—	—	—	1,466,500
TOTAL:	\$322,448,539	\$48,180,000	\$16,084,184	\$64,264,184	\$386,712,723

⁽¹⁾ Debt Service On Outstanding Bonds may not total due to rounding.

⁽²⁾ Debt Service On Outstanding Bonds reflects the refunding of the Refunded Bonds and does not include debt service on the Refunded Bonds.

Book-Entry Only System

Payment of principal of, premium, if any, and interest on the Series 2011A Bonds will be made directly to The Depository Trust Company (“DTC”), New York, New York, or its nominee, Cede & Co., by the Trustee. In the event the Series 2011A Bonds are not in a book-entry-only system, payment of principal of, premium, if any, and interest on the Series 2011A Bonds will be made as described in the Resolution.

The information in this Official Statement concerning DTC and DTC’s book-entry system has been obtained from DTC and the Authority takes no responsibility for the completeness or accuracy thereof. The Authority can not and does not give any assurances that DTC, DTC Direct Participants or DTC Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2011A Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2011A Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2011A Bonds, or that they will so do on a timely basis, or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described under this heading. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Series 2011A Bonds. The Series 2011A Bonds are issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2011A 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, as amended (the “Exchange Act”). DTC holds and provides asset servicing for over 3.5 million U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants,” and, together with Direct Participants, “Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of the Series 2011A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2011A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2011A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2011A Bonds, except in the event that use of the book-entry system for the Series 2011A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011A Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an

authorized representative of DTC. The deposit of the Series 2011A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2011A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2011A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the Series 2011A Bonds may wish to ascertain that the nominee holding the Series 2011A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2011A Bonds of a particular maturity are being redeemed, DTC's usual practice is to determine by lot the amount of the interest of each Direct Participant the Series 2011A Bonds of such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2011A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2011A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Series 2011A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payment 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 (nor its nominee), the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Series 2011A Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2011A Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2011A Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the Series 2011A Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Authority and the Trustee shall not have any responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the Series 2011A Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Authority (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Series 2011A Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Authority; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

For every transfer and exchange of beneficial ownership of any of the Series 2011A Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its services as depository with respect to the Series 2011A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2011A Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2011A Bond certificates will be printed and delivered.

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

NONE OF THE AUTHORITY, THE TRUSTEE OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR SUCH DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE AUTHORITY'S OBLIGATION UNDER THE ACT AND THE RESOLUTION TO THE EXTENT OF SUCH PAYMENTS.

So long as Cede & Co. is the registered owner of the Series 2011A Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2011A Bonds (other than under the captions "PART 11 - TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2011A Bonds.

PART 4 - THE DEPARTMENT OF HEALTH

General

The Department is a civil department of the State created pursuant to Article 2 of the Public Health Law.

The mission of the Department is to ensure the availability of appropriate high quality health services at reasonable cost to all State residents. The Department's responsibilities include:

1. Promoting and supervising public health activities throughout the State;
2. Ensuring sound, cost-effective medical care for all residents; and
3. Reducing the heavy toll taken by chronic disabling illnesses, including heart disease, cancer, stroke and respiratory diseases.

These objectives are achieved through a coordinated network of administrative units, including the Department's four major operating arms, the Office of Public Health ("OPH"), the Office of Health Systems Management ("OHSM"), the Office of Health Insurance Programs ("OHIP") and the Office of Long Term Care ("OLTC"), and through a system of area and field offices that conduct health facility surveillance, public health monitoring and direct public health activities. The Department is the agency designated for administering Federal moneys allotted for health work under the Public Health Service Act, the Social Security Act and other Federal authorizations. Single State agency responsibilities under Title 19 of the Social Security Act for the Medical Assistance Program were transferred from the former Department of Social Services to the Department in legislation enacted in 1996 and 1997. Finally, the Department operates facilities engaged in advanced medical research and patient care through its Health Facilities Management Group.

The Department currently carries out its responsibilities through 17 budgetary programs: Administrative and Executive Direction; Center for Environmental Health; Center for Community Health; AIDS Institute; Wadsworth Center for Laboratories and Research; Office of Health Systems Management; Health Care Financing; Division of Managed Care and Program Evaluation; Office of Health Insurance Programs; Office of Long Term

Care; Medical Assistance Program; Medical Assistance Administration Program; Medicaid Management Information System; Child Health Insurance Program; Elderly Pharmaceutical Insurance Coverage (“EPIC”) Program; HCRA; and the Health Facilities Management Program.

The State’s Public Health Law enumerates six facilities as part of the Department: the Institute, the Helen Hayes Hospital (the “Hospital”), the New York State Home for Veterans and their Dependents at Oxford (the “Home”), the New York State Home for Veterans in the City of New York (the “Veterans Home”), the New York State Home for Veterans in Western New York (the “WNY Veterans Home”) and the New York State Home for Veterans in the Lower Hudson Valley (the “HV Veterans Home”). The foregoing facilities, except for the Veterans Home, constitute the Medical Care Facilities. The State Legislature has the power to decide whether or not the Department will continue to operate and maintain any of these facilities or programs. In 1999, the State transferred the Institute to a separate public benefit corporation, RPCI. The State Legislature also may decide in the future to add by legislation additional facilities to the Department.

Fiscal Structure

The Department receives annual appropriations from the State Legislature to operate all authorized programs and to provide specific services.

The State Legislature appropriates moneys from the State’s General Fund to the Department to meet the operational costs of the Department for program operations not otherwise supported by Federal or other funds. Within the total amount appropriated, funds may be interchanged or transferred between programs upon recommendation of the Commissioner of Health (the “Commissioner”) and the approval of the State Budget Director, according to the formula established in the State Finance Law. These moneys are not available for deposit to the Health Income Fund. The State Legislature appropriated \$7,600,000 from the State’s Capital Projects Fund for fiscal year 2011-12 for repairs and maintenance of the Hospital, the Home, the Veterans Home, the WNY Veterans Home, and the HV Veterans Home.

In addition to the appropriation of State funds, the State Legislature also appropriates moneys made available by the Federal government for Department programs. None of the funds allocated by Federal agencies to the Department have been appropriated for the Hospital, the Home, the Veterans Home, the WNY Veterans Home and the HV Veterans Home.

The 2011-12 Enacted Budget includes funds appropriated to the Department from 128 Special Revenue Accounts including, pursuant to Chapter 433 of the Laws of 1997, accounts supporting the operating budget for the Hospital, the Home, the Veterans Home, the WNY Veterans Home and the HV Veterans Home. Revenue is deposited in the self-supporting accounts from fees, assessments and other charges as specified in law or regulation. Expenditures from these accounts are limited to the specific purpose of the individual account.

Patient care revenues received by the Department relating to the Veterans Home are deposited into the Veterans Home Income Fund. Amounts in excess of that required to be held by the Comptroller in the Veterans Home Income Fund are directly transferred periodically to the New York City Veterans Home Account, which was also authorized by Chapter 433 of the Laws of 1997. Funds in the New York City Veterans Home Account are appropriated for operation of the Veterans Home.

The amounts on deposit in the Veterans Home Income Fund and the New York City Veterans Home Account do not secure the payment of amounts due under the Agreement.

The Health Income Fund

The Health Income Fund is established in the custody of the Comptroller pursuant to Section 409 of the Public Health Law. The moneys on deposit in the Health Income Fund are kept separate and are not commingled with any other moneys held by the Comptroller. All of the revenues received by the Department for the care, maintenance and treatment of patients at the Institute, the Hospital, the Home, the WNY Veterans Home, and the HV Veterans Home, together with certain other moneys and miscellaneous receipts less certain payments and refunds made pursuant to law, are paid by the Commissioner to the Comptroller for deposit in the Health Income Fund. The revenues received by the Department for the care, maintenance and treatment of these patients come from Medicare, Medicaid, Blue Cross, private insurance companies and from the patients directly. Pursuant to

Chapter 293 of the Laws of 1992, a clinical practice plan has been established at the Institute which provides for the collection and disbursement of clinical practice income resulting from the clinical practice of licensed health professionals employed by the Institute. Such clinical practice income is not factored in as part of the revenues of the Institute or the Health Income Fund.

Section 409 of the Public Health Law requires that the Comptroller maintain at all times in the Health Income Fund the amount of money needed by the Department during the next succeeding six calendar months to comply in full with all obligations of the Department under the Agreement, including amounts necessary to make payments under the Agreement during such period and to establish and maintain reserves. The Comptroller, at least biweekly, is required to pay to RPCI any moneys in the Health Income Fund which the Commissioner attributes to the operation of RPCI and which are in excess of the amount required to be maintained by the Comptroller in the Health Income Fund pursuant to Public Health Law Section 409. As discussed below under the subheading “DOH Hospital Holding Account and Facility-Specific Operating Accounts,” the Comptroller from time to time, but in no event later than the last day of March, June, September and December of each year is required to deposit to the DOH Hospital Holding Account all moneys in the Health Income Fund in excess of the amount required to be maintained in the Health Income Fund described above. These moneys, in turn, are transferred to the Helen Hayes Hospital Account, the New York State Home for Veterans and Their Dependents at Oxford Account, the Western New York Veterans Home Account, and the New York State Home for Veterans in the Lower Hudson Valley Account. This transfer from the DOH Hospital Holding Account to these four accounts is based upon the amount the Hospital, the Home, the WNY Veterans Home and the HV Veterans Home deposit into the Health Income Fund. The moneys in the Health Income Fund shall be paid out on the audit and warrant of the Comptroller on vouchers approved by the Commissioner or his designee. Subject to the power to pay out such excess moneys in the Health Income Fund to RPCI and the DOH Hospital Holding Account, the Department in the Agreement has pledged and assigned to the Authority, subject to appropriation, all moneys in the Health Income Fund and all moneys which may be received by the Department and credited to the Health Income Fund.

Revenues on an audited cash, rather than an accrual, basis generated during the four most recent fiscal years, preliminary for fiscal year 2010-11 and estimated for fiscal year 2011-12, for the Institute, the Hospital, the Home, the WNY Veterans Home, and the HV Veterans Home as deposited in the Health Income Fund, are listed in the table below. The table also reflects the manner in which the revenues were used or are expected to be used (i.e., actual payments for debt service and transfers to the operating accounts or the RPCI for each year) as well as the ratio of Receipts in Health Income Fund to Health Income Fund Debt Service Payments (“Debt Service Coverage”).

HEALTH INCOME FUND
(in thousands, other than ratios)

Fiscal Year Ended March 31	Receipts in Health Income Fund	Health Income Fund Debt Service Payments	Available for Transfer to Facility-Specific Operating Accounts or RPCI Corporation⁽¹⁾	Debt Service Coverage
2007	\$343,505	\$25,936	\$317,569	13x
2008	366,840	29,559	337,281	12
2009	387,467	30,102	357,365	13
2010	434,842	30,043	404,799	14
2011 (Preliminary)	450,536	30,655	419,881	15
2012 (Estimated)	483,168	28,669	454,469	17

Source: Department of Health.

⁽¹⁾ Available fund balance may be increased or decreased, depending on the need to set aside future debt service payments, which would result in the transfer amount being adjusted accordingly.

DOH Hospital Holding Account and Facility-Specific Operating Accounts

The DOH Hospital Holding Account is a special account established by the Comptroller. At any time, but no later than the last day of each March, June, September and December, amounts in the Health Income Fund in excess of the amount required to be maintained therein or paid to RPCI are paid over by the Comptroller to the DOH Hospital Holding Account, and transferred, respectively, to the Helen Hayes Hospital Account, the New York State Home for Veterans and Their Dependents at Oxford Account, the Western New York Veterans Home Account, and the New York State Home for Veterans in the Lower Hudson Valley Account. The moneys in these four accounts are generally available for paying the costs related to the provision of health services to patients at the facilities, including the payment of costs for research, training, personal services and the costs of operating and maintaining such facilities. Pursuant to Chapter 293 of the Laws of 1992 and Chapter 505 of the Laws of 1995, the moneys become available, respectively, from these facility-specific operating accounts when the Commissioner executes a certificate of allocation and schedule of amounts to be available therefore. The moneys are payable from these operating accounts upon audit and warrant of the Comptroller on vouchers approved by the Commissioner or his designee. The 2010-12 Enacted Budget includes a contingent appropriation of \$20,000,000 that has been reappropriated for the Health Services Account to provide temporary cash flow advances from the State should any of the operating accounts for all Medical Care Facilities experience temporary cash flow problems. These advances are, in general, subject to repayment within 90 days. There was no need to access this contingent authority during fiscal year 2010-11 when there was an appropriation, nor is such need currently foreseen during fiscal year 2011-12. See preceding section entitled "The Health Income Fund" for information on RPCI revenue.

The following table reflects the Department's State Operations appropriations for the Hospital, the Home, the Veterans Home, the WNY Veterans Home and the HV Veterans Home. As such this represents the maximum authority to spend, or budgeted levels, as approved by the State Legislature and does not necessarily reflect actual spending levels.

Fiscal Year Ended March 31	Appropriated for Facility-Specific Operating Accounts ⁽¹⁾⁽²⁾
2007	139,942,000
2008	138,955,000
2009	154,772,000
2010	165,357,100
2011	157,733,787
2012 ⁽³⁾	148,753,000

⁽¹⁾ Exclusive of minor amounts available for patient benefits from gifts and bequests.

⁽²⁾ These funds are transferred to individual Special Revenue Fund-Other accounts supporting the respective operating budgets of the Hospital, the Home, the Veterans Home, the WNY Veterans Home and the HV Veterans Home. The amounts shown here are from revenues derived from these facilities and vary in some degree from the revenues of such facilities as reflected in their financial statements for the years indicated, due to differences in accounting procedures and other factors.

⁽³⁾ Reflects the 2011-12 Enacted Budget.

Employee Relations and Indemnity

As of March 31, 2011, the Department employed approximately 5,000 full-time equivalent employees, including approximately 1445 personnel at the Hospital, the Home, the WNY Veterans Home, the HV Veterans Home and the Veterans Home. (Individuals at the Institute are considered employees of the RPCI rather than the Department and are not included as part of this number.) Employees of the Department are State employees. Section 17 of the Public Officers Law requires the State to save harmless and indemnify its employees from financial loss arising out of any claim, demand, suit or judgment by reason of alleged intentional wrong doing, negligence or other act by State employees provided that the employee was acting in the scope of his duties and did not commit a willful or wrongful act. The law further provides that the Attorney General may represent such employees.

Any actions involving malpractice claims brought against the Department are actions brought against the State itself. The State does not carry insurance with respect to malpractice claims and is a self-insurer for the payment of any judgments which may be rendered against the State for any such actions.

PART 5 - THE MEDICAL CARE FACILITIES

General

Section 403 of the Public Health Law enumerates the facilities which are part of the Department: the Institute, the Hospital, the Home, the Veterans Home, the WNY Veterans Home and the HV Veterans Home. Revenues for all facilities, except the Veterans Home, are deposited in the Health Income Fund.

Roswell Park Cancer Institute

The Institute was founded in 1898 and became a State Institute in 1911. In 1971, it was one of the first three institutions certified as a comprehensive cancer center by the National Cancer Institute. As such, it is committed to combat cancer through basic research, clinical research and treatment, and professional and public education. Presently, there are 65 such centers designated in the United States. The Institute is a facility, located on a 25 acre campus in downtown Buffalo, New York, licensed for 133 beds, currently operating 116 beds, and an ambulatory care center containing 12 multidisciplinary care centers with a staff of over 3,000 members, including clinical staff physicians, residents, fellows, and research staff.

The operation of the Institute transferred to the RPCI on January 1, 1999. In order to meet the demands of the changing health care marketplace and to promote the strengths and capabilities of the Institute, Chapter 5 of the Laws of 1997 added a new Title 4 to Article 10-c of the Public Authorities Law authorizing the RPCI. This legislative authorization was intended to change the Institute's governance structure to afford it market and managerial flexibility. Among the special powers granted by the legislation to RPCI were the powers to contract with the State to operate, manage, superintend and control the Institute, and to establish, collect, and adjust fees, rental and other charges in connection with the operation of the Institute.

Pursuant to subdivision 2 of Section 403 of the Public Health Law, added by such chapter, the Department, acting on behalf of the State, entered into an Operating Agreement with RPCI pursuant to which operating responsibility for the Institute was transferred to RPCI effective January 1, 1999, and giving RPCI substantial independence in operating the Institute, including the power to establish operating budgets, to establish and implement strategic business plans, to create subsidiary and affiliated entities, to enter into affiliations and alliances with other health care providers and to establish, collect and adjust fees, rentals and other charges in connection with the operation of the Institute.

Revenues generated by RPCI as a result of operating the Institute continue to be revenues of the State and are required to be deposited into the Health Income Fund for payment of debt service on the Bonds. After allowing for accumulation of the amount the Comptroller is required to maintain in the Health Income Fund pursuant to Public Health Law Section 409 and a reserve for refunds, the remaining revenues which the Commissioner attributes to the operations of RPCI are transferred to RPCI at least biweekly by the Comptroller.

The following table provides historic utilization data for the Institute for the four most recent fiscal years, preliminary for fiscal year 2010-11 and estimated for 2011-12.

Fiscal Year Ended March 31,	Annual Average Beds in Service	Annual Average Inpatient Occupancy Rate*	Outpatient Visits
2007	101	81	161,869
2008	106	83	168,845
2009	113	80	186,110
2010	119	82	196,694
2011 (Preliminary)	122	82	202,575
2012 (Estimated)	124	83	205,398

* Based on annual average beds in service. Due to ongoing construction and renovation projects which took beds out of service, the Department considers annual average beds in service during the reporting period to represent a more meaningful point of comparison for the Institute's performance than its certified 133-bed level.

The Institute has undergone several key transitions over the past decade, including a major modernization of its Buffalo campus and a change in governance as noted above. RPCI's responsibility is to ensure the fiscal and programmatic integrity of the facility. The Institute is affiliated with the University of New York at Buffalo and has numerous affiliation agreements with other educational institutions and hospitals. Training provided by the Institute under these agreements includes medical, nursing and medical research. For the fiscal year ending March 31, 2012, the Institute is projected to generate 76 percent of the patient care revenues deposited in the Health Income Fund.

Helen Hayes Hospital

The Hospital was established in 1900 primarily to provide care to children with disabilities. Since then, and particularly in recent years, the patient population and the services provided have changed dramatically. The Hospital has evolved into a comprehensive rehabilitation center offering a multi-specialty approach to medical rehabilitation and treatment of chronic diseases as well as specialized surgical services. The Hospital is the largest freestanding rehabilitation center in New York State. Research is also an integral component of the Hospital's operation and it also involves unique protocol studies directed at treatment and prevention of disabling diseases such as osteoporosis. In addition, the Hospital has established a 25-bed Skilled Nursing Unit and Transitional Rehabilitation Center to increase the continuum of services provided to patients.

The following table provides historic utilization data for the Hospital for the four most recent fiscal years, preliminary for fiscal year 2010-11 and estimated for fiscal year 2011-12.

Fiscal Year Ending March 31,	Annual Average Occupancy Rate	Outpatient Visits
2007	71	68,018
2008	74	68,500
2009	68	69,266
2010	68	67,471
2011 (Preliminary)	67	62,177
2012 (Estimated)	70	65,000

The Hospital has been subject to the same market forces that have affected other acute care facilities in New York State. As a specialized rehabilitation facility, the Hospital must attract and retain a specialized staff, particularly in the various rehabilitation therapies. The national shortage of skilled medical professionals experienced over the past several years has had an impact on the Hospital's ability to maintain and increase its outpatient volume.

The Hospital is affiliated with Columbia University's College of Physicians and Surgeons in a formal residency program and the College participates with the Hospital in developing teaching and service programs. Pursuant to an affiliation agreement, New York Presbyterian Hospital serves as the Hospital's contracting agent for

the employment of physicians and physical therapists for the Hospital. For the fiscal year ending March 31, 2012, the Hospital is projected to generate 11 percent of the patient care revenues deposited in the Health Income Fund.

New York State Veterans Home at Oxford

The Home admitted its first residents in 1897, when its primary mission was to provide room and board for Civil War veterans and their wives and other dependents. Historically, admission was limited to veterans and their dependents of U.S. wars through World War II and was prioritized by earliest service. Recent legislative changes opened admission to all veterans and prioritizes admissions by severity of illness and wartime status rather than by service date. The Home’s total bed capacity is 242 beds and is projected to provide care, for the year ending March 31, 2012 on the average, to 239 residents.

The annual average occupancy rate for the Home for the four most recent fiscal years, preliminary for fiscal year 2010-11 and estimated for fiscal year 2011-12, is described in the following table:

Fiscal Year Ending March 31	Annual Average Inpatient Occupancy Rate
2007	98
2008	99
2009	97
2010	95
2011 (Preliminary)	95
2012 (Estimated)	97

For the fiscal year ending March 31, 2012, the Home is projected to generate 5 percent of the patient care revenues deposited into the Health Income Fund.

New York State Home for Veterans in Western New York

The WNY Veterans Home in Batavia began admissions of residents in August of 1995. This facility also provides care for veterans and their dependents prioritized by degree of illness rather than by service date. The facility’s bed capacity is 126.

The annual average occupancy rate for the WNY Veterans Home for the four most recent fiscal years, preliminary for fiscal year 2010-11 and estimated for fiscal year 2011-12, is described in the following table:

Fiscal Year Ending March 31	Annual Average Inpatient Occupancy Rate
2007	96
2008	94
2009	97
2010	95
2011 (Preliminary)	97
2012 (Estimated)	98

For the fiscal year ending March 31, 2012, the WNY Veterans Home is projected to generate 3 percent of the patient care revenues deposited into the Health Income Fund.

New York State Home for Veterans in the Lower Hudson Valley

The HV Veterans Home was authorized by legislation in 1994. Construction was completed in mid-2001 and resident admissions began in September 2001. The 252-bed facility is on the grounds of the Veterans Administration Hospital in Montrose, NY. The design is based on the cluster model used for the WNY Veterans Home in Batavia, which has received national recognition for cost efficient delivery of health care.

The annual average occupancy rate for the HV Veterans Home for the four most recent fiscal years, preliminary for fiscal year 2010-11 and estimated for fiscal year 2011-12, is described in the following table:

Fiscal Year Ending March 31	Annual Average Inpatient Occupancy Rate*
2007	90
2008	96
2009	96
2010	96
2011 (Preliminary)	98
2012 (Estimated)	98

*Based on annual average beds in service of 252.

For the fiscal year ending March 31, 2012 the HV Veterans Home is projected to generate 4 percent of the patient care revenues deposited into the Health Income Fund.

Reimbursement Process

The Hospital and the Institute are considered “specialty” facilities and, for reimbursement purposes, have historically been exempt from the case methodology applied to other facilities. However, with the implementation of HCRA, which took effect during 1997 and the conversion from historic reimbursement and the move to managed care contracting, both facilities have entered into several contracts to provide medical services. The Institute is considered to be a Prospective Payment System (“PPS”) facility for Medicare and is reimbursed on a cost basis for this payor. At the Hospital, Medicare established a PPS reimbursement methodology for rehabilitation hospitals, which was effective April 1, 2002. This new methodology is based upon a case payment per discharge rather than the per diem payment which existed previously. Research costs are considered non-allowable and are not included in the calculation of the rates. The facilities also receive additional reimbursement for uncollectible bad debts and charity write-offs from regional and statewide pools; the bad debt write-off, however, is less than 2 percent due to screening and insurance verification of patients prior to admission.

Medicaid reimbursement for the Home and the WNY Veterans Home is based on the Resource Utilization Groups (“RUGS”) methodology, which was implemented by the State in 1986. This methodology is based on a case-mix assessment and classification system that reflects the cost of care and provides financial incentives to admit “high intensity” patients by linking payments to the level of services provided. Reimbursement for the Home is based on 1983 operational costs and the WNY Veterans Home’s base year for reimbursement is FY 1996-97.

For Medicare, the reimbursement methodology for the Home and the WNY Veterans Home is the same and is based on the PPS, which uses the average cost for the respective regions. For the veterans homes in the program, this has proven beneficial as the average regional cost exceeds the facility-specific cost, resulting in a higher rate of reimbursement for the veterans homes, which have also converted from a “flat rate” average charge to “fee for service.” In addition to a room and board charge, the veterans homes bill for actual charges for pharmacy, therapies and other such ancillary services.

The reimbursement methodology for Medicaid and Medicare for HV Veterans Home is not yet finalized, with such reimbursements being made at an interim budgeted rate.

To further enhance collections at the Institute and the Hospital, a discrete Department of Law collection unit has been established with sites at each facility. A discrete unit has also been established to provide collection services to the Home, the WNY Veterans Home and the HV Veterans Home. The Department of Law serves as the facilities’ collection agency since by law the facilities cannot, with certain exceptions, refer uncollectible accounts to outside agencies and have no authority to write off bad debts. Only the Attorney General and the Comptroller have the authority to write off bad debts.

Cash Receipts

Receipts for patient care and other miscellaneous income are deposited into the Health Income Fund on a weekly basis. The following tables display the final amount of cash receipts from each revenue source at the five facilities for the previous fiscal years for which data are available. Facility cash receipts vary with receipts into the Health Income Fund because of timing differences in the recording of the respective funds.

CASH RECEIPTS FROM PATIENTS AND MISCELLANEOUS INCOME

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11⁽¹⁾</u>
<i>Roswell Park Cancer Institute</i>					
Medicare	\$ 33,867,930	\$ 32,106,894	\$ 34,737,015	\$ 41,374,131	\$55,717,361
Medicaid	8,910,877	7,752,295	10,602,398	9,619,405	1,494,396
Blue Cross	53,217,268	68,243,127	73,050,556	91,281,139	94,137,997
Other Third Party Payors	99,956,298	120,385,112	132,272,390	147,358,848	145,885,069
Self-Pay	3,202,040	2,671,260	2,013,983	3,637,475	3,883,825
TOTAL	<u>\$199,154,413</u>	<u>\$231,158,688</u>	<u>\$252,676,342</u>	<u>\$293,270,998</u>	<u>\$298,118,648</u>
<i>Helen Hayes Hospital</i>					
Medicare	\$32,709,646	\$25,820,436	\$25,188,996	\$25,331,902	\$24,950,735
Medicaid	7,668,463	6,569,196	5,059,541	7,780,807	4,265,957
Blue Cross	3,005,843	3,742,784	5,287,692	6,350,664	5,425,179
Other Third Party Payors	12,127,399	13,933,992	12,703,090	14,568,439	13,861,714
Self-Pay	981,539	666,567	608,228	305,485	356,048
Other	1,863,775	3,906,610	6,068,639	5,713,159	5,576,475
TOTAL	<u>\$58,356,665</u>	<u>\$54,639,585</u>	<u>\$54,916,186</u>	<u>\$60,050,456</u>	<u>\$54,436,108</u>
<i>Oxford Home</i>					
Medicaid	\$10,272,334	\$11,670,892	\$14,040,144	\$ 9,880,766	\$9,767,814
Self-Pay		6,183,774	6,322,291	5,659,741	6,146,718
	5,672,877				
VA Reimbursement	3,270,869	3,614,002	3,829,512	3,783,630	5,793,589
Medicare	1,369,632	1,239,013	1,296,829	1,027,873	930,393
Miscellaneous	747,982	613,577	556,496	160,281	117,049
TOTAL	<u>\$21,333,694</u>	<u>\$23,321,258</u>	<u>\$26,045,272</u>	<u>\$20,512,291</u>	<u>\$22,755,563</u>
<i>WNY Veterans Home</i>					
Medicaid	\$ 6,222,467	\$ 6,047,540	\$ 6,592,920	\$ 5,086,149	\$4,632,505
Self-Pay	2,864,425	3,144,178	2,828,082	3,342,666	4,064,854
VA Reimbursement	2,208,984	2,377,746	2,449,370	2,617,905	3,138,175
Medicare	642,017	174,025	303,238	620,431	542,777
TOTAL	<u>\$11,937,893</u>	<u>\$11,743,489</u>	<u>\$12,173,610</u>	<u>\$11,667,151</u>	<u>\$12,378,311</u>
<i>HV Veterans Home</i>					
Medicaid	\$10,649,202	\$ 7,765,788	\$ 8,268,368	\$19,235,293	\$11,654,284
Self-Pay	7,054,338	7,604,514	7,373,294	8,042,537	8,203,555
VA Reimbursement	4,634,749	5,065,115	5,202,853	5,962,490	6,961,413
Medicare	3,302,608	3,181,580	3,658,527	3,151,481	2,542,536
TOTAL	<u>\$25,640,897</u>	<u>\$23,616,997</u>	<u>\$24,503,042</u>	<u>\$36,391,801</u>	<u>\$29,361,788</u>

⁽¹⁾ Reflects preliminary information.

Summary of Revenue and Expenses

The following table reflects the Medical Care Facilities' income statements prepared by independent auditors for the most recent four fiscal years for which such statements are available. The data presented reflect the net patient care income, which is derived by deducting a reserve for bad debts and contractual allowances from the gross charges for patient services. The contractual allowances are the differences between the Medical Care Facilities' charges and the actual amount reimbursed by third party payors. The net revenue varies from the cash receipts schedule provided above since the latter reflects actual cash collected and the differences between the two schedules are represented by accounts receivable. The expenses are reflected on an accrual basis in accordance with GAAP and as required by third party payors. Included in the expenses are all State appropriations, such as fringe benefits for the Medical Care Facilities' employees as well as non-cash expenses such as depreciation.

SUMMARY OF NET PATIENT CARE REVENUES, OTHER NON-OPERATING REVENUES AND OPERATING EXPENSES AS REFLECTED ON THE FACILITIES' INCOME STATEMENTS

Revenues	2006-07	2007-08	2008-09	2009-10 ⁽¹⁾
Roswell Park	\$343,144,840	\$379,619,689	\$407,168,248	\$416,901,826
Helen Hayes Hospital	64,043,849	73,104,610	70,968,542	76,546,620
Oxford Home	27,194,486	28,595,575	33,350,130	26,993,889
WNY Veterans Home	15,364,255	17,607,946	16,785,108	16,850,825
HV Veterans Home	34,889,101	32,164,171	33,525,282	37,247,429
Total Revenues	<u>\$484,636,531</u>	<u>\$531,091,991</u>	<u>\$561,797,310</u>	<u>\$574,540,589</u>
Expenses				
Roswell Park	\$325,102,242	\$374,701,507	\$404,956,252	\$417,308,571
Helen Hayes Hospital	72,175,483	72,223,675	78,457,339	72,795,513
Oxford Home	26,992,487	29,139,178	29,280,591	30,355,405
WNY Veterans Home	14,866,392	16,228,884	17,252,038	17,284,826
HV Veterans Home	34,916,662	32,164,171	34,118,468	34,970,984
Total Expenses	<u>\$474,053,266</u>	<u>\$524,457,415</u>	<u>\$564,064,688</u>	<u>\$572,715,299</u>
Results from operation	<u>\$10,583,265</u>	<u>\$6,624,576</u>	<u>\$(2,267,378)</u>	<u>\$1,825,290</u>

⁽¹⁾ Reflects preliminary information for the HV Veterans Home.

PART 6 - THE REFUNDING PLAN

The Series 2011A Bonds are being issued to refund the Refunded Bonds. The Refunded Bonds consist of (a) all of the outstanding Department of Health of the State of New York Revenue Refunding Bonds, Series 1998, maturing serially on July 1 in the years 2012 and 2013 and the term bonds maturing on July 1, 2018 and 2024, in the aggregate principal amount of \$40,495,000, issued by the Authority pursuant to the Resolution, and (b)(i) all of the outstanding Department of Health of the State of New York Revenue Bonds, Series 1999A (the "Series 1999A Bonds"), maturing serially on July 1 in the years 2012 through and including 2018 and the term bond maturing July 1, 2023, in the aggregate principal amount of \$9,760,000, and (ii) a portion of the Series 1999A Bonds term bond maturing July 1, 2028 in the principal amount of \$1,100,000, issued by the Authority pursuant to the Resolution. A portion of the proceeds of the Series 2011A Bonds, together with other available funds, will be deposited into an escrow in an amount sufficient to pay, without any investment, the redemption price of the Refunded 1998 Bonds on August 12, 2011 and the redemption price of the Refunded 1999A Bonds on January 1, 2012, and the interest to become due on such Refunded Bonds on and prior to their respective redemption dates. The Authority, in addition to depositing cash into the escrow as described above, is acquiring and depositing into the escrow non-callable direct obligations of the United States of America (the "Investment Securities"), the principal of and interest on which, when due, will provide moneys sufficient, together with any other moneys held in the escrow, to pay the redemption

price of the Refunded Bonds and the interest to become due on such Refunded Bonds on and prior to their respective redemption dates.

Upon the issuance of the Series 2011A Bonds, the cash and/or the Investment Securities will be deposited into the escrow with the trustee for the Refunded Bonds and the Authority will give such trustee irrevocable instructions to give notice of the refunding of the Refunded Bonds and notice of the redemption of the Refunded Bonds to be redeemed. The cash and/or Investment Securities deposited with such trustee will be held in escrow solely for the payment of the redemption price of and interest on the Refunded Bonds. See “PART 17 – VERIFICATION OF MATHEMATICAL COMPUTATIONS.” In the opinion of Bond Counsel, upon making such deposits with such trustee and the issuance of such irrevocable instructions to such trustee, the Refunded Bonds will, under the terms of the Resolution under which the Refunded Bonds were issued, be deemed to have been paid and will no longer be outstanding and the pledge of the revenues or other moneys and securities pledged to the Refunded Bonds and all other rights granted by the Resolution to the Refunded Bonds will be discharged and satisfied.

PART 7 - ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

Sources of Funds

Principal Amount of Series 2011A Bonds.....	\$48,180,000.00
Net Original Issue Premium	4,481,224.20
Funds Transferred from the Refunded Bonds Funds	81,883.60
Total Sources.....	<u>\$52,743,107.80</u>

Uses of Funds

Deposit to the Refunding Escrows	\$51,850,111.37
Costs of Issuance ⁽¹⁾	625,553.14
Underwriters' Discount.....	267,443.29
Total Uses	<u>\$52,743,107.80</u>

⁽¹⁾ Includes State bond issuance charge.

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, 2011, the Authority had approximately \$44.1 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, 2011 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
State University of New York Dormitory Facilities.....	\$ 2,478,656,000	\$ 1,139,920,000	\$ 0	\$ 1,139,920,000
State University of New York Educational and Athletic Facilities.....	14,369,077,999	6,216,904,624	0	6,216,904,624
Upstate Community Colleges of the State University of New York.....	1,644,630,000	688,210,000	0	688,210,000
Senior Colleges of the City University of New York.....	11,126,291,762	3,891,886,213	0	3,891,886,213
Community Colleges of the City University of New York.....	2,590,993,350	580,673,787	0	580,673,787
BOCES and School Districts.....	3,137,981,208	2,405,655,000	0	2,405,655,000
Judicial Facilities.....	2,161,277,717	676,092,717	0	676,092,717
New York State Departments of Health and Education and Other.....	7,018,125,000	4,777,730,000	0	4,777,730,000
Mental Health Services Facilities.....	8,306,980,000	3,942,415,000	0	3,942,415,000
New York State Taxable Pension Bonds.....	773,475,000	0	0	0
Municipal Health Facilities Improvement Program.....	1,146,845,000	742,580,000	0	742,580,000
Totals Public Programs.....	<u>\$ 54,754,333,036</u>	<u>\$ 25,062,067,341</u>	<u>\$ 0</u>	<u>\$ 25,062,067,341</u>

Non-Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
Independent Colleges, Universities and Other Institutions.....	\$ 20,406,784,952	\$ 10,910,736,293	\$ 78,095,000	\$ 10,988,831,293
Voluntary Non-Profit Hospitals.....	14,799,954,309	7,380,355,000	0	7,380,355,000
Facilities for the Aged.....	2,010,975,000	679,535,000	0	679,535,000
Supplemental Higher Education Loan Financing Program.....	95,000,000	0	0	0
Totals Non-Public Programs.....	<u>\$ 37,312,714,261</u>	<u>\$ 18,970,626,293</u>	<u>\$ 78,095,000</u>	<u>\$ 19,048,721,293</u>
Grand Totals Bonds and Notes.....	<u>\$ 92,067,047,297</u>	<u>\$ 44,032,693,634</u>	<u>\$ 78,095,000</u>	<u>\$ 44,110,788,634</u>

Outstanding Indebtedness of the Agency Assumed by the Authority

At June 30, 2011, the Agency had approximately \$257 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, 2011 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding
Mental Health Services Improvement Facilities.....	\$ 3,817,230,725	\$ 0
Non-Public Programs	Bonds Issued	Bonds Outstanding
Hospital and Nursing Home Project Bond Program.....	\$ 226,230,000	\$ 2,480,000
Insured Mortgage Programs.....	6,625,079,927	250,460,000
Revenue Bonds, Secured Loan and Other Programs.....	2,414,240,000	3,965,000
Total Non-Public Programs.....	<u>\$ 9,265,549,927</u>	<u>\$ 256,905,000</u>
Total MCFFA Outstanding Debt.....	<u>\$ 13,082,780,652</u>	<u>\$ 256,905,000</u>

Governance

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

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

The current members of the Authority are as follows:

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

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

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

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

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

Jacques Jiha was appointed as a Member of the Authority by the Governor on December 15, 2008. Mr. Jiha is the Executive Vice President / Chief Operating Officer & Chief Financial Officer of Earl G. Graves, Ltd./Black Enterprise, a multi-media company with properties in print, digital media, television, events and the

internet. He is a member of the Investment Advisory Committee of the New York Common Retirement Fund and a member of the Board of Directors at Ronald McDonald House of New York. Previously, Mr. Jiha served as Deputy Comptroller for Pension Investment and Public Finance in the Office of the New York State Comptroller. As the State's chief investment officer, he managed the assets of the NY Common Retirement Fund, valued at \$120 billion and was also in charge of all activities related to the issuance of New York State general obligation bonds, bond anticipation notes, tax and revenue anticipation notes, and certificates of participation. Mr. Jiha was the Co-Executive Director of the New York State Local Government Assistance Corporation (LGAC) in charge of the sale of refunding bonds, the ratification of swap agreements, and the selection of financial advisors and underwriters. Prior thereto, Mr. Jiha was Nassau County Deputy Comptroller for Audits and Finances. He also worked for the New York City Office of the Comptroller in increasingly responsible positions: first as Chief Economist and later as Deputy Comptroller for Budget. Earlier, Mr. Jiha served as Executive Director of the New York State Legislative Tax Study Commission and as Principal Economist for the New York State Assembly Committee on Ways and Means. He holds a Ph.D. and a Master's degree in Economics from the New School University and a Bachelor's degree in Economics from Fordham University. His current term expired on March 31, 2011 and by law he continues to serve until a successor shall be chosen and qualified.

CHARLES G. MOERDLER, Esq., New York.

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

BERYL L. SNYDER, J.D., New York.

Ms. Snyder was appointed as a member of the Authority by the Governor on June 15, 2011. She is currently a principal in HBJ Investments, LLC, an investment company where her duties include evaluation and analysis of a wide variety of investments in, among other areas: fixed income, equities, alternative investments and early stage companies. Previously, she was Vice President, General Counsel and a Director of Biocraft Laboratories, Inc. and a Director of Teva Pharmaceuticals. Ms. Snyder serves as a Board member of the Beatrice Snyder Foundation, the Roundabout Theater, the Advisory Committee of the Hospital of Joint Diseases and the Optometric Center of New York, where she also serves on the Investment Committee. She holds a Bachelor of Arts degree in History from Vassar College and a Juris Doctor degree from Rutgers University. Her current term expires on August 31, 2013.

SANDRA M. SHAPARD, Delmar.

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

GERARD ROMSKI, Esq., Mount Kisco.

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

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

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

JOHN B. KING, JR., J.D., Ed.D., *Acting Commissioner of Education of the State of New York, Slingerlands; ex-officio.*

Dr. John B. King, Jr., became Acting Commissioner and President of the University of the State of New York on June 15, 2011, and will become President of the University of the State of New York and Commissioner of Education effective July 15, 2011. As Acting Commissioner of Education, Dr. King serves as chief executive officer of the State Education Department and as President of the University of the State of New York, which is comprised of public and non-public elementary and secondary schools, public and independent colleges and universities, libraries, museums, broadcasting facilities, historical repositories, proprietary schools and services for children and adults with disabilities. Dr. King is also responsible for licensing, practice and oversight of numerous professions. Dr. King previously served as Senior Deputy Commissioner for P-12 Education at the New York State Education Department. Prior thereto, Dr. King served as a Managing Director with Uncommon Schools. Prior to that, Dr. King was Co-Founder and Co-Director for Curriculum & Instruction of Roxbury Preparatory Charter School and prior to that, Dr. King was a teacher in San Juan, Puerto Rico and Boston, Massachusetts. He holds a Bachelor of Arts degree in Government from Harvard University, a Master of Arts degree in Teaching of Social Studies from Teachers College, Columbia University, a Juris Doctor degree from Yale Law School and a Doctor of Education degree in Educational Administrative Practice from Teachers College, Columbia University.

NIRAV R. SHAH, M.D., M.P.H., *Commissioner of Health, Albany; ex-officio.*

Nirav R. Shah, M.D., M.P.H., was appointed Commissioner of Health on January 24, 2011. Prior to his appointment he served as Attending Physician at Bellevue Hospital Center, Associate Investigator at the Geisinger Center for Health Research in central Pennsylvania, and Assistant Professor of Medicine at the NYU Langone Medical Center. Dr. Shah is an expert in use of systems-based methods, a leading researcher in use of large scale clinical laboratories and electronic health records and he has served on the editorial boards of various medical journals. He is a graduate of Harvard College, received his medical and master of public health degrees from Yale School of Medicine, was a Robert Wood Johnson Clinical Scholar at UCLA and a National Research Service Award Fellow at NYU.

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

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

The principal staff of the Authority is as follows:

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

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

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

PAUL W. KUTEY is the Chief Financial Officer of the Authority. Mr. Kutey oversees and directs the activities of the Office of Finance and Information Services. He is responsible for supervising the Authority's investment program, accounting functions, operation, maintenance and development of computer hardware, software and communications infrastructure; as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. Previously, Mr. Kutey was Senior Vice President of Finance and Operations for AYCO Company, L.P., a Goldman Sachs Company, where his

responsibilities included finance, operations and facilities management. Prior to joining AYCO Company, he served as Corporate Controller and Acting Chief Financial Officer for First Albany Companies, Inc. From 1982 until 2001, Mr. Kutey held increasingly responsible positions with PricewaterhouseCoopers, LLP, becoming Partner in 1993. He is a Certified Public Accountant and holds a Bachelor of Business Administration degree from Siena College.

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

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

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

Claims and Litigation

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

Other Matters

New York State Public Authorities Control Board

The New York State Public Authorities Control Board (the "PACB") has authority to approve the financing and construction of any new or reactivated projects proposed by the Authority and certain other public authorities of the State. The PACB approves the proposed new projects only upon its determination that there are commitments of funds sufficient to finance the acquisition and construction of the projects. The Authority has obtained the approval of the PACB for the issuance of the Series 2011A 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, 2011. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 9 - LEGALITY OF THE SERIES 2011A BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2011A 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 2011A Bonds.

The Series 2011A 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 2011A Bonds will be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution and in the Series 2011A Bonds.

PART 11 - TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2011A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2011A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, the Department and the Institute in connection with the Series 2011A Bonds, and Bond Counsel to the Authority has assumed compliance by the Authority, the Department and the Institute with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2011A Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the Series 2011A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2011A Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the

effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2011A Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2011A Bonds in order that interest on the Series 2011A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2011A Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2011A Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority, the Department and the Institute have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2011A Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2011A Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2011A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2011A Bonds.

Prospective owners of the Series 2011A Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Series 2011A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Series 2011A Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Series 2011A Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Series 2011A Bonds is expected to be the initial public offering price set forth on the inside cover page of the Official Statement. Bond Counsel to the Authority further is of the opinion that, for any Series 2011A Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Series 2011A Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Series 2011A Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

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

Bond Premium

In general, if an owner acquires a Series 2011A Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2011A Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Series 2011A Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest (including OID) on tax-exempt obligations, including the Series 2011A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2011A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2011A Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2011A Bonds under Federal or state law and could affect the market price or marketability of such Series 2011A Bonds.

Prospective purchasers of the Series 2011A Bonds should consult their own tax advisors regarding the foregoing matters.

PART 12 - STATE NOT LIABLE ON THE SERIES 2011A 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 2011A 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 or 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 of and interest on the Series 2011A Bonds or for the payment of the operating expenses of the Department. See "PART 2 - SOURCES OF PAYMENT AND SECURITY."

PART 14 - LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2011A Bonds by the Authority are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, whose approving opinion will be delivered with the Series 2011A Bonds. The proposed form of Bond Counsel opinion is set forth in "Appendix E -Form of Approving Opinion of Bond Counsel" hereto.

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 2011A Bonds or questioning or affecting the validity of the Series 2011A 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 2011A Bonds in accordance with the provisions of the Act, the Resolution and the Agreement.

PART 15 - RATINGS

The Series 2011A Bonds have been rated "AA-" and "AA-" by Standard & Poor's Ratings Services ("S&P") and Fitch, Inc. ("Fitch"), respectively. An explanation of the significance of such ratings should be obtained from the Rating Agency furnishing the same. Such ratings reflect only the views of such Rating Agencies and any desired explanation of the significance of such ratings or any outlooks or other statements given with respect thereto should be obtained from the Rating Agencies at the following addresses: Standard & Poor's, 55 Water Street, New York, New York 10041; and Fitch, One State Street Plaza, New York, New York 10004. 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 2011A Bonds.

PART 16 - UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2011A Bonds from the Authority at an aggregate purchase price of \$52,393,780.91 (which represents the par amount of the Series 2011A Bonds plus net aggregate premium of \$4,481,224.20 less underwriters' discount of \$267,443.29) and to make a public offering of the Series 2011A 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 2011A Bonds if any such Series 2011A Bonds are purchased.

The Series 2011A Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of UBS Financial Services Inc. (“UBSFS”) and Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings, including the Series 2011A Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase the Series 2011A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2011A Bonds that such firm sells.

PART 17 - VERIFICATION OF MATHEMATICAL COMPUTATIONS

Robert Thomas CPA, LLC, a firm of independent public accountants, will issue a report indicating that it has verified the mathematical accuracy of the mathematical computations (a) relating to the adequacy of either the cash or the cash and the maturing principal amounts and the interest on the Investment Securities deposited with the trustee for the Refunded Bonds to pay the redemption price of and interest on the Refunded Bonds coming due on and prior to their respective redemption dates as described in “PART 6 - THE REFUNDING PLAN,” and (b) supporting, among other things, the conclusion of Bond Counsel that interest on the Series 2011A Bonds are not “arbitrage bonds” under the Code and the applicable tax regulation. Robert Thomas CPA, LLC will express no opinion on the reasonableness of the assumptions provided to it, the likelihood that the principal of and interest on the Series 2011A Bonds will be paid as described in the schedules provided to it, or the exclusion of the interest on the Series 2011A Bonds from gross income for Federal income tax purposes.

PART 18 - CONTINUING DISCLOSURE

In order to assist the Underwriters to comply with the provisions of paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), the Authority, the State, through the Division of the Budget, and the Trustee will enter into a written agreement (the “Continuing Disclosure Agreement”) for the benefit of the Holders of the Series 2011A Bonds to provide continuing disclosure. Pursuant to the Continuing Disclosure Agreement, the State will undertake to electronically file with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system, as the sole repository for the central filing of electronic disclosure pursuant to Rule 15c2-12, on an annual basis on or before 120 days after the end of each State fiscal year, commencing with the fiscal year ending March 31, 2012, financial information and operating data relating to the Department and the State of the type included in this Official Statement, both as described in more detail below and referred to herein as the “Annual Information.” 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”) within 120 days after the close of the State fiscal year, and the State will undertake to electronically file with the MSRB 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; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be electronically filed with the MSRB and such audited financial statements shall be electronically filed with the MSRB if and when such statements are available. In addition, the Authority will undertake, for the benefit of the Holders of the Series 2011A Bonds, to electronically file the notices described below (the “Notices”) with the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of any of the events described below.

The Annual Information consists of (a) financial and operating data of the type included in this Official Statement for the Series 2011A Bonds under the headings “PART 4 - THE DEPARTMENT OF HEALTH” and “PART 5 - THE MEDICAL CARE FACILITIES” which includes information relating to the following: (1) utilization data and other relevant operating statistics for the health care programs and services provided at the Medical Care Facilities; (2) historical information relating to receipts available for Annual Payments on a cash basis for the period of not less than the four most recently completed fiscal years of the State then available, in substance similar to the table under the heading “Cash Receipts from Patients and Miscellaneous Income”; (3) summary financial information on an accrual basis for the period of not less than the four most recently completed fiscal years of the State then available, in substance similar to the table under the heading “Summary of Net Patient Care Revenues, Other Non-Operating Revenues and Operating Expenses as Reflected on the Facilities’ Income Statements;” (4) information for the then current fiscal year relating to the Department’s State Capital Projects Fund

and General Fund appropriations similar to the information set forth under the heading “Fiscal Structure” in this Official Statement relating to the Series 2011A Bonds; (5) historical information relating to Medical Care Facilities revenues on a cash basis, debt service payments made from the Health Income Fund and transfers to the DOH Hospital Holding Account for the period of not less than the five most recently completed fiscal years of the State then available, together with estimated amounts for the current fiscal year if estimates are then available, similar in substance to the information contained in the table under the heading “The Health Income Fund”; and (6) historical information relating to the Department’s State Operations appropriations for the period of not less than the five most recently completed fiscal years of the State then available, similar in substance to the information contained in the table under the heading “DOH Hospital Holding Account and Facility-Specific Operating Accounts;” unless, with respect to items (1) through (6) just described, the source of revenue for the payment of the Series 2011A Bonds has been materially changed or modified, in which case the Annual Information will include similar information about such new or modified source of revenue, whether on an actual historical basis, a pro forma basis or otherwise; and (b) financial and operating data of the type included in the Annual Information Statement of the State set forth or referred to in Appendix B hereto, 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 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 the debt service requirements on that debt, (3) for authorities and localities, information on certain public authorities and local entities whose financial status may have a material impact on the financial status of the State; and (4) material information regarding State government employment and retirement systems; together with (c) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial and operating data concerning the Department and the State and the sources of revenue for the Health Income Fund and in judging the financial condition of the State.

The Notices include notices of any of the following fourteen events with respect to the Series 2011A Bonds to be provided in a timely manner not in excess of ten (10) business days after the occurrence of the event: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2011A Bonds or other material events affecting the tax status of the Series 2011A Bonds; (7) modifications to rights of Holders, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution or sale of property securing repayment of the Series 2011A Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of any obligated person; (13) the consummation of a merger, consolidation or acquisition involving any obligated person, or the sale of all or substantially all of the assets of any obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee, or the change of name of a trustee, if material. In addition, the Authority will undertake, for the benefit of the Holders of the Series 2011A Bonds, to electronically file with the MSRB in a timely manner, notice of any failure by the State to electronically file the Annual Information and annual financial statements by the date required in the State’s undertaking described above.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement is an action to compel specific performance of the undertakings of the State and/or the Authority contained therein, and no person, including any Holder of the Series 2011A Bonds, may recover monetary damages thereunder under any circumstances. Any Holder of the Series 2011A Bonds, including any beneficial owner, may enforce the Continuing Disclosure Agreement for the equal and proportionate benefit of all holders similarly situated to the extent provided in the Continuing Disclosure Agreement. 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 provision of such information, will no

longer be required to be provided. The obligations of the State under the Continuing Disclosure Agreement may be terminated if the State ceases to be an obligated person as defined in Rule 15c2-12.

The State has not in the previous five years failed to comply, in all material respects, with any previous undertakings pursuant to Rule 15c2-12. The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it is related have been materially changed or discontinued, a statement to that effect will be provided. As a result, the parties to the Continuing Disclosure Agreement do not anticipate that it often will be necessary to amend the information undertakings. The Continuing Disclosure Agreement, however, may be amended or modified without Bondholders' consent under certain circumstances set forth therein. A copy of the Continuing Disclosure Agreement when executed by the parties thereto on the date of the initial delivery of the Series 2011A Bonds will be on file at the principal office of the Authority.

PART 19 - SOURCES OF INFORMATION AND CERTIFICATIONS

The Authority's use of certain information concerning the Department and the State included in this Official Statement has been furnished or reviewed and authorized by the sources 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 2011A Bonds, as to the accuracy of such information provided or authorized by it.

The Department. The Department provided certain of the information contained in this Official Statement including the information relating to the Department in "PART 4 - THE DEPARTMENT OF HEALTH" and "PART 5 - THE MEDICAL CARE FACILITIES."

Certain officers of the Department have been authorized by the Department to include the information about the Department in this Official Statement and are to certify to the Authority that the statements of material fact concerning the Department contained in the Official Statement 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 provided the information relating to the State in "Appendix B - Information Concerning the State of New York."

The Director of the Budget of the State of New York is to certify to the Authority that the information contained in the Annual Information Statement of the State of New York, including any updates or supplements included in Appendix B to this Official Statement, is true, correct and complete in all material respects, and that no facts have come to his attention that would lead him to believe that such statements and information, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in the light of the circumstances under which they were made, not misleading; provided, however, that while the statements and information contained in Appendix B to this Official Statement which were obtained from sources other than the State are not certified as to truth, correctness or completeness, such statements and information have been obtained from sources that he believes to be reliable and, he has no reason to believe, and does not 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 the light of the circumstances under which they were made, not misleading; provided further, however, that with regard to the statements and information in Appendix B to this Official Statement under the caption "Litigation" such statements and information are given to the best of his information and belief, having made such inquiries as he deemed appropriate at the offices of the Department of Law of the State, without any further independent investigation. This certification is to apply both as of the date of this Official Statement and as of the date of the delivery of the Series 2011A 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 Comptroller, the chief auditor and fiscal officer of the State, will not certify to such information contained in Appendix B hereto.

Bond Counsel. “Appendix A - Certain Definitions,” “Appendix C - Summary of Certain Provisions of the Agreement,” “Appendix D - Summary of Certain Provisions of the Resolution” and “Appendix E - Form of Approving Opinion of Bond Counsel” have been prepared by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel.

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

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

The Authority shall certify that, both as of the date of this Official Statement and on the date of delivery of the Series 2011A 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 Department, the State or DTC and DTC’s book-entry only system, but which information the Authority has no reason to believe is untrue or incomplete in any material respect).

The Department is obligated by the Agreement to provide to the Authority such information as the Authority may request which will enable the Authority or the Trustee to make any report or provide any information pursuant to the requirements of law or governmental regulation. The Authority does not currently publish or disseminate any financial or other information related to the Department on a systematic basis and has not contracted to do so.

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 2011A Bonds are fully set forth in the Resolution (including any Supplemental Resolutions thereto), and neither any advertisement of the Series 2011A Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2011A 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

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CERTAIN DEFINITIONS

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APPENDIX A

CERTAIN DEFINITIONS

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

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

“Act” means the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as amended, and constituting Title 4 of Article 8 of the Public Authorities Law, as amended);

“Agreement” means the Loan Agreement executed by and among the Authority and the Department, dated as of July 18, 1990, as from time to time amended or supplemented by Supplemental Agreements in accordance with the terms and provisions of the Resolution and of the Agreement;

“Annual Administrative Fee” means a 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 and (ii) the fees and expenses incurred by the Authority pursuant to law or otherwise in carrying out its duties under the Agreement and under the Resolution 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 provider of a Credit Facility or Liquidity Facility, the Trustee, any Paying Agents or other fiduciaries acting under the Resolution;

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

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

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

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

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

“Authorized Officer” means (i) in the case of Authority, the Chairman, the Vice-Chairman, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, a Deputy Executive Director,

the General Counsel, the Deputy Counsel, the First Deputy Executive Director, an Associate Counsel or the Director, Financial Operations, and when used with reference to any act or document also means any other person authorized by resolution or bylaws of the Authority to perform such act or execute such document; (ii) in the case of the Department, the Commissioner and when used with reference to any act or document also means any Deputy Commissioner duly deputized by the Commissioner pursuant to the Public Health Law of the State to perform such act or execute such document; and (iii) in the case of the Trustee, the President, a Vice President, Corporate Trust Officer, 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 resolution or bylaws of the Board of Directors of the Trustee;

“Bond” or “Bonds” means any of the bonds of the Authority authorized and issued pursuant to the Resolution or a Series Resolution;

“Bond Counsel” means the Attorney General of the State or 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 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;

“Book Entry Bond” means a Bond authorized to be issued to, and issued to and registered in the name of, a Depository directly or indirectly for the beneficial owners thereof;

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

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

“Business Day” means any day which is not a Saturday, Sunday or a legal holiday in the State or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York;

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

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

“Commissioner” means the Commissioner of Health of the State of New York and, in the event such office is vacant, or in the event the Commissioner of Health is absent from his office or in the event of the inability to act of the Commissioner of Health, the person duly authorized to perform the duties and responsibilities of the Commissioner of Health pursuant to Section 9 of the Public Officers Law of the State;

“Comptroller” means the Comptroller of the State of New York;

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

“Cost” or “Costs” means costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessary in connection with a 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) cost and expenses incurred for labor and materials and payments to contractors, builders and materialmen, for the acquisition, construction, reconstruction, rehabilitation, repair and improvement of a Project, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance,

that may be required or necessary prior to completion of a Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction of a Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all costs which the Department shall be required to pay for or in connection with additions to, or the alterations, expansions, reconstruction, rehabilitation, repair, and equipping of a Project, (vii) any sums required to reimburse the Department or the Authority for advances made by them for any of the above items or for other costs incurred and for work done by them in connection with a Project (including interest on moneys borrowed to temporarily finance the payment of any item or terms of Costs of a Project), (viii) interest on the Bonds prior to, during and for a reasonable period after construction of a Project is complete and a Project is available for occupancy or use, (ix) the payment of any notes of the Authority (including any interest thereon and redemption premium thereof) issued to temporarily finance the payment of any item or items of Cost, and (x) fees, expenses and liabilities of the Authority incurred in connection with a Project or pursuant to the Resolution or to the Agreement;

“Cost” or “Costs of Issuance” means the items of expense incurred in connection with the authorization, sale and issuance of 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, 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, costs and expenses of refunding Bonds and other costs, charges and fees, including those of the Authority, in connection with the foregoing;

“Credit Facility” means an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement or other agreement, facility or insurance or guaranty arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority, pursuant to which the Authority is entitled to obtain moneys to pay the principal, purchase price or Redemption Price of Bonds due in accordance with their terms or tendered for purchase or redemption, plus accrued interest thereon to the date of payment, purchase 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 thereunder or the Department is in default under the Agreement;

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

“Debt Service Reserve Fund” means the amount required to be on deposit in the Health Income Fund in accordance with paragraph 2(c) of Section 409 of the Public Health Law;

“Defeasance Securities” means direct obligations of the United States of America or Exempt Obligations, provided that such Exempt Obligations (i) are, until the maturity date or redemption date thereof, secured by and payable from the principal of or interest payments on direct obligations of the United States of America and (ii) are rated by Moody’s and S&P’s in the highest rating category of each such rating service for such Exempt Obligations;

“Deferred Income Bond” means any Bond as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is compounded on each Valuation Date for such Deferred Income Bond, and as to which interest accruing after the Interest Commencement Date is payable semi-annually on January 1 and July 1 of each Bond Year;

“Default” means an “event of default” as such term is defined under the Agreement;

“Department” means the Department of Health of the State of New York, a civil department of the State government within the meaning of Article V, section 2 of the State Constitution, created pursuant to law, the existence of which is continued by Article 2 of the Public Health Law of the State, or any civil department, agency, board or instrumentality of the State which succeeds to the rights, powers, duties and functions of the Department of Health of the State of New York;

“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 Series Certificate relating to a Series of Bonds to serve as securities depository for the Bonds of such Series;

“Excess Earnings” means, with respect to a Series of Bonds, (i) the amount by which the earnings on the Gross Proceeds of such Series of Bonds exceeds the amount which would have been earned thereon if such Gross Proceeds were invested at a yield equal to the yield on such Series of Bonds, as such yield is determined in accordance with the Code, and (ii) amounts earned on the investment of such excess;

“Exempt Obligation” means 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, and which, at the time an investment therein is made or such obligation is deposited in any fund or account hereunder, is rated, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, “A” or better by Moody’s and S&P’s, or, if such obligation is not rated by Moody’s and S&P’s, by Moody’s or S&P’s, or, if such obligation is rated by neither Moody’s nor S&P’s, has been assigned a comparable rating by another nationally recognized rating service, but in no event rated lower than the lowest rating on Outstanding Bonds assigned by Moody’s or S&P’s;

“Fitch” means Fitch, Inc., a wholly-owned subsidiary of Fitch Group, Inc., and its successors and assigns;

“Government Obligation” means a direct obligation of the United States of America, an obligation the principal of, and interest on, which are guaranteed by the United States of America, an obligation (other than an obligation subject to variation in principal repayment) to which the full faith and credit of the United States of America are pledged, an obligation of a federal agency approved by the Authority, and a certificate or other instrument which evidences of ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, direct obligations of the United States of America;

“Gross Proceeds” means, with respect to a Series of Bonds unless inconsistent with the provisions of the Code, (i) amounts received by the Authority from the sale of a Series of Bonds (other than amounts used to pay underwriters’ fees and other expenses of issuing such Series of Bonds), (ii) amounts treated as transferred proceeds of such Series of Bonds in accordance with the Code, (iii) amounts treated as proceeds under the provisions of the Code relating to invested sinking funds, including any necessary allocation between two or more Series of Bonds in the manner required by the Code, (iv) amounts in the Debt Service Reserve Fund, (v) securities or obligations pledged by the Authority or the Department or the State as security for payment of debt service on the Bonds, (vi) amounts received with respect to obligations acquired with Gross Proceeds, (vii) amounts used to pay debt service on a Series of Bonds, and (viii) amounts received as a result of the investment of Gross Proceeds at a yield equal to or less than the yield on the Bonds as such yield is determined in accordance with the Code;

“Health Income Fund” means the special account established in the custody of the Comptroller by Section 409 of the Public Health Law;

“Health Income Fund Assets” means, subject to appropriation by the State Legislature, all moneys and investments in the Health Income Fund, any right, title and interest of the Authority in and to the money and investments in or to be deposited in the Health Income Fund and the proceeds of the foregoing items (provided that nothing in the Resolution shall prevent the Comptroller from making payments to the Health Services Fund in accordance with paragraph 2(d) of Section 409 of the Public Health Law or the Department from paying to the Authority the Annual Administrative Fee and other moneys to reimburse the Authority for expenses incurred in connection with paying maintenance, repair and replacement for the Project pursuant to the Agreement, all to the extent provided in the Agreement);

“Health Services Account” or “Health Services Fund” means the health services fund referenced in paragraph 2(d) of Section 409 of the Public Health Law, since redesignated the Health Services Account and subsequently redesignated a special revenue fund with accounts for each Medical Care Facility;

“Holder of Bonds,” “Bondholder” or “Holder” or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any Outstanding Bond;

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

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

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

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

“Medical Care Facilities” means the Roswell Park Cancer Institute, the Helen Hayes Hospital, the New York State Home for Veterans and their Dependents at Oxford, the New York State Home for Veterans in Western New York and the New York State Home for Veterans in the lower Hudson Valley as listed under Section 403 of the Public Health Law;

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns;

“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;

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

“Parking Garage” means a parking garage at the State hospital known as Roswell Park Cancer Institute, including attendant facilities and equipment and the site thereof;

“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 a Series Resolution 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;

“Plans and Specifications” means the plans and specifications for a Project prepared pursuant to the Agreement, including site plans showing the location of such Project upon the land, schematic drawings of the interior of the buildings and improvements included in such Project, and the design of such buildings and improvements, and any plans and specifications for the improvement, rehabilitation, reconstruction or repair of a Project;

“Project” means the acquisition, design, construction, reconstruction, rehabilitation or improvement or the furnishing and equipping of dormitories (as defined in the Act) and attendant facilities for the Department of Health of the State of New York, in connection with which Bonds have been issued and are Outstanding;

“Public Health Law” means the Public Health Law of the State of New York, being Chapter 879 of the Laws of 1953, as amended;

“Qualified Financial Institution” means (i) 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 savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, at the time an Investment Agreement is entered into by the Authority are rated, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, “A” or better by Moody’s and S&P’s, or, if such obligations are not rated by Moody’s and S&P’s, by Moody’s or S&P’s, or, if such obligations are rated by neither Moody’s nor S&P’s, have been assigned a comparable rating by another nationally recognized rating service, but in no event shall such obligations be rated at the time an Investment Agreement is entered into by the Authority lower than the lowest rating assigned by Moody’s or S&P’s to any Outstanding Bonds or (ii) 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;

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

“Redemption Price” means, when used with respect to a Bond, the principal amount of such Bond plus the applicable premium, if any, payable upon redemption thereof pursuant to the Resolution or to any applicable Series Resolution or 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 (regarding the issuance of Refunding Bonds) and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution;

“Resolution” means the Revenue Bond Resolution (Department of Health of the State of New York, Revenue Bonds), adopted by the Authority on July 18, 1990, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions of the Resolution;

“Revenues” means all payments received or receivable by the Authority which pursuant to the Agreement are to be paid to the Trustee (except payments to such Trustee for the administrative costs and expenses or fees of such Trustee and payments to such Trustee for deposit in the Arbitrage Rebate Fund) securing the Bonds;

“S&P” means Standard & Poor’s Ratings Services, a division of McGraw Hill, Inc., a corporation organized and existing under the laws of the State of New York, and its successors and assigns;

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

“Series” means all of the Bonds authenticated and delivered on original issuance and pursuant to the Resolution and to any applicable Series Resolution or applicable Series Certificate 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 Certificate” means a certificate of an Authorized Officer of the Authority fixing terms, conditions and other details of Bonds in accordance with the delegation of power to do so under the Resolution or under a Series Resolution;

“Series 2011A Bonds” means the Bonds authorized by Article II of the Series 2011A Resolution;

“Series 2011A Resolution” means the Dormitory Authority of the State of New York Series 2011A Resolution Authorizing Up to \$60,500,000 Department of Health of the State of New York Revenue Refunding Bonds, Series 2011A, adopted by the Authority on December 8, 2010;

“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 and with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, the amount of money required by the Resolution or by the Series Resolution pursuant to which such Bonds were issued or by any applicable Series Certificate, to be paid on a single future July 1 for the retirement of any Outstanding Bonds of said Series which mature after said future July 1, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future July 1 is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be Bonds entitled to such Sinking Fund Installment;

“Standby Purchase Agreement” means an agreement by and between the Authority and another person pursuant to which such person is obligated to purchase Option Bonds tendered for purchase;

“State” means the State of New York;

“Supplemental Agreement” means any agreement amending or supplementing the Agreement or any Supplemental Agreement, executed and becoming effective in accordance with the terms and provisions of the Resolution and of the Agreement;

“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;

“Tax Certificate” means the Tax Certificate as to Arbitrage and the instructions as to compliance with the provisions of Section 103(a) of the Code, executed by an Authorized Officer of the Authority in connection with the issuance of Bonds of a Series;

“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;

“Valuation Date” means (i) with respect to any Capital Appreciation Bond, the date or dates set forth in the Series Resolution authorizing such Bond or a Series Certificate on which specific Accreted Values are assigned to such Capital Appreciation Bond, and (ii) with respect to any Deferred Income Bond, the date or dates prior to the Interest Commencement Date set forth in the Series Resolution authorizing such Bond or a Series Certificate on which specific Appreciated Values are assigned to such Deferred Income Bond;

“Variable Interest Rate” means a variable interest rate or rates to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds, provided the method of computing such variable interest rate is

specified in the Series Resolution authorizing such Bonds or a Series Certificate and 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) or a function of such objectively determinable interest rate or rates which may be in effect from time to time or at a particular time or times; provided that such variable interest rate shall be subject to a Maximum Interest Rate and may be subject to a Minimum Interest Rate and that there may be an initial rate specified, in each case as provided in such Series Resolution or a Series Certificate or (ii) a stated interest rate that may be changed from time to time as provided in the Series Resolution authorizing such Bonds or a Series Certificate; and provided that such interest rate shall be subject to a Maximum Interest Rate; and provided, further, that such Series Resolution or Series Certificate shall also specify either (i) the particular period or periods of time or manner of determining such period or periods of time for which each value of such variable interest rate shall remain in effect or (ii) the time or times upon which any change in such variable interest rate shall become effective; and

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

INFORMATION CONCERNING THE STATE OF NEW YORK

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APPENDIX B

INFORMATION CONCERNING THE STATE OF NEW YORK

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

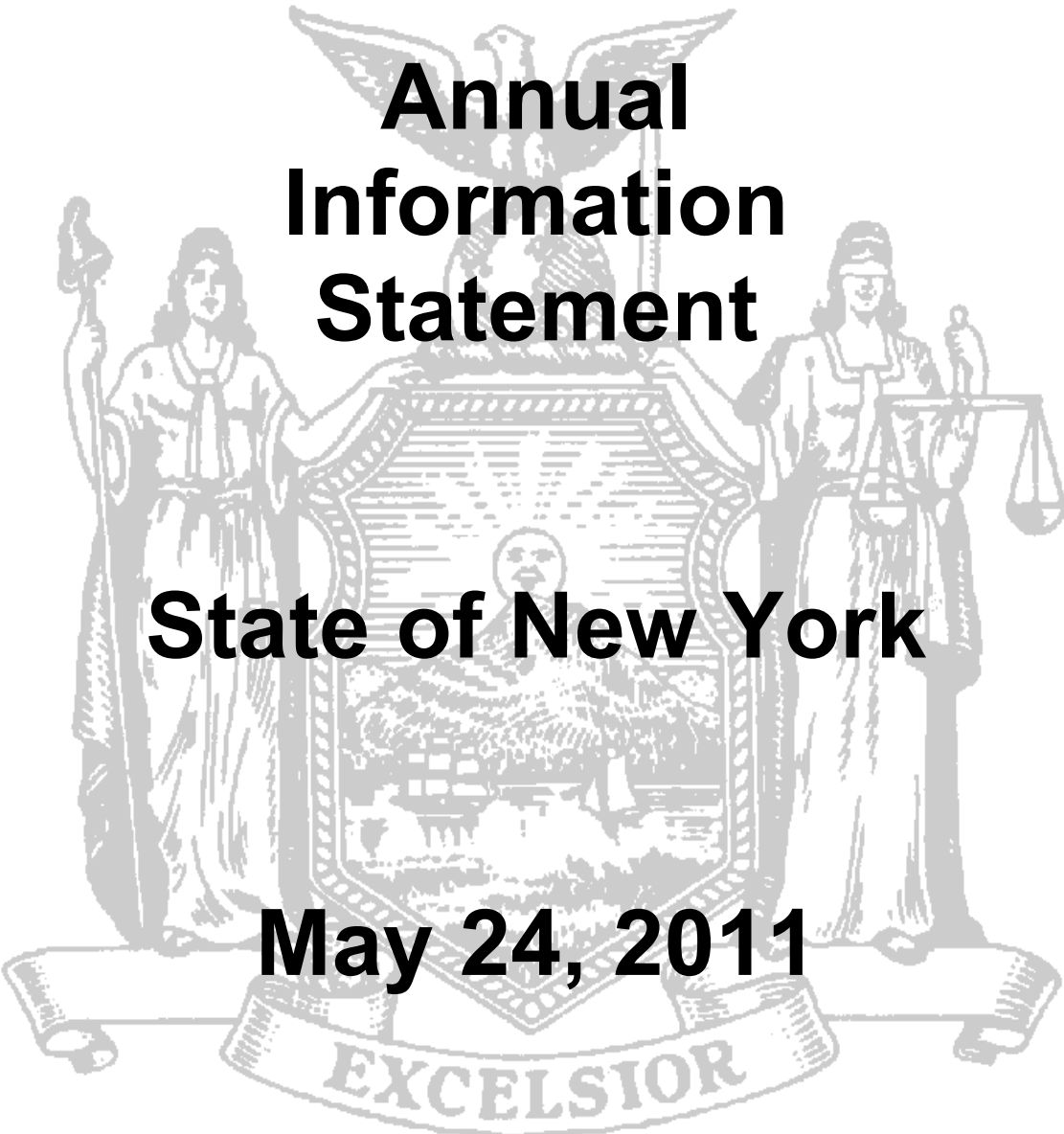
Appendix B contains the Annual Information Statement of the State of New York ("Annual Information Statement" or "AIS"), as updated or supplemented to the date specified therein. The State intends to update and supplement that Annual Information Statement as described therein. It has been supplied by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

The AIS set forth in this Appendix B is dated May 24, 2011. The AIS was filed with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS can be accessed through the EMMA system at www.emma.msrb.org. An official copy of the AIS may be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705. An informational copy of the AIS is available on the Internet at <http://www.budget.ny.gov>.

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

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

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

**Annual
Information
Statement**

State of New York

May 24, 2011

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**ANNUAL INFORMATION STATEMENT
STATE OF NEW YORK
DATED: MAY 24, 2011**

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INTRODUCTION

This Annual Information Statement (AIS) is dated May 24, 2011 and contains information only through that date. This AIS constitutes the official disclosure regarding the financial position of the State of New York (the State) and replaces the AIS dated September 7, 2010 and all updates and supplements thereto. This AIS is scheduled to be updated on a quarterly basis (in August 2011, November 2011, and February 2012) and may be supplemented from time to time as developments warrant. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any current updates and supplements that may be issued during the fiscal year.

In this AIS, readers will find:

1. Information on the State's current financial projections, including summaries and extracts from the State's Enacted Budget Financial Plan (the "Enacted Budget Financial Plan" or "Enacted Budget") for fiscal year 2012 ("FY 2012" or "2011-12") issued by the Division of the Budget ("DOB") on May 6, 2011. The Enacted Budget Financial Plan sets forth the State's official Financial Plan projections for FYs 2012 through 2015. It includes, among other things, the major components of the gap-closing plan approved for FY 2012, projected annual spending growth, the magnitude of future potential budget gaps, and detailed information on projected total receipts and disbursements in the State's governmental funds.
2. A discussion of issues and risks that may affect the Financial Plan during the State's current fiscal year or in future years (under the heading "Other Matters Affecting the Financial Plan").
3. Information on other subjects relevant to the State's finances, including summaries of: (a) operating results for the three prior fiscal years, presented on a cash basis of accounting, (b) the State's revised economic forecast and a profile of the State economy, (c) the State's debt and other financing activities, (d) the organization of State government, and (e) activities of public authorities and localities.
4. The status of significant litigation and arbitration that has the potential to adversely affect the State's finances.

DOB is responsible for preparing the State's Financial Plan and presenting the information that appears in this AIS on behalf of the State. In preparing this AIS, DOB has also relied on information drawn from other sources, including the Office of the State Comptroller (OSC). In particular, information contained in the section entitled "State Retirement Systems" has been furnished by OSC, while information relating to matters described in the section entitled "Litigation and Arbitration" has been furnished by the State Office of the Attorney General. DOB has not undertaken any independent verification of the information contained in the sections entitled "State Retirement Systems" or "Litigation and Arbitration".

INTRODUCTION

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 position, including potential operating results for the current fiscal year and projected budget gaps for future fiscal years, that may vary materially from the information provided in this AIS, as updated or supplemented. Investors and other market participants should, however, refer to this AIS, as updated or supplemented, for the most current official information regarding the financial position of the State.

The factors affecting the State's financial position are complex. This AIS contains forecasts, projections, and estimates that are based on expectations and assumptions which existed at the time they were prepared. Since many factors may materially affect fiscal and economic conditions in the State, the inclusion in this AIS of forecasts, projections, and estimates should not be regarded as a representation that such forecasts, projections, and estimates will occur. Forecasts, projections, and estimates are not intended as representations of fact or guarantees of results. The words “expects”, “forecasts”, “projects”, “intends”, “anticipates”, “estimates”, and analogous expressions are intended to identify forward-looking statements in the AIS. Any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially and adversely from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, impediments to the implementation of gap-closing actions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the State. These forward-looking statements speak only as of the date of this AIS.

The State may issue AIS supplements or other disclosure notices to this AIS as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS in Official Statements or related disclosure documents for State or State-supported debt issuance. The State has filed this AIS with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system. An electronic copy of this AIS can be accessed through the EMMA at www.emma.msrb.org. An official copy of this AIS may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-7705. OSC issued the Basic Financial Statements for FY 2010 in July 2010. The Basic Financial Statements for FY 2011 are expected to be available in late July 2011. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and on its website at www.osc.state.ny.us. The Basic Financial Statements can also be accessed through EMMA at www.emma.msrb.org.

USAGE NOTICE

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

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

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

BUDGETARY AND ACCOUNTING BACKGROUND

TO HELP THE READER UNDERSTAND THE CURRENT FINANCIAL PLAN PROJECTIONS, THIS SECTION PROVIDES A BRIEF OVERVIEW OF THE STATE'S BUDGET PROCESS AND BUDGETARY AND ACCOUNTING PRACTICES. *SEE "EXHIBIT A - SELECTED STATE GOVERNMENT SUMMARY" HEREIN FOR MORE INFORMATION ON BUDGETARY AND ACCOUNTING PRACTICES.*

THE STATE BUDGET PROCESS

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

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

Once the appropriation bills and other bills become law, DOB revises the State Financial Plan to reflect the Legislature's actions, and begins the process of implementing the budget. Throughout the fiscal year, DOB monitors actual receipts and disbursements, and may adjust the estimates and projections in the State Financial Plan. Adjustments may also be made to the State Financial Plan to reflect changes in the economic outlook, updated data on program activities, and other factors, as well as new actions taken by the Governor or the Legislature. As required by the State Finance Law, the DOB updates the State Financial Plan within 30 days of the close of each quarter of the fiscal year, generally issuing reports by July 30, October 30, and as part of the Executive Budget.

Once the budget is adopted for the fiscal year, the Legislature may enact one multi-purpose appropriation bill and additional single-purpose appropriation bills or revenue measures (including tax reductions) during any regular session or, if called into session for that purpose, any special session. In the event additional appropriation bills or revenue measures are disapproved by the Governor, the Legislature may override the Governor's veto upon the vote of two-thirds of the members of each house of the Legislature. The Governor may present deficiency appropriations to the Legislature in any fiscal year to supplement existing appropriations or to provide new appropriations for purposes not covered by the regular and supplemental appropriations.

SIGNIFICANT BUDGETARY/ACCOUNTING PRACTICES

The State's General Fund receives the majority of State taxes and all income not earmarked for a particular program or activity. State law requires the Governor to submit, and the Legislature to enact, a budget that is balanced on a cash-basis of accounting. The State Constitution and State Finance Law do not provide a precise definition of budget balance. In practice, the General Fund is considered balanced on a cash basis of accounting if sufficient resources are, or are expected to be, available during the fiscal year for the State to (a) make all planned payments, including PIT refunds, without the issuance of deficit notes or bonds or extraordinary cash management actions, (b) restore the balances in the Tax Stabilization Reserve and Rainy Day Reserve to levels at or above the levels on deposit when the fiscal year began, and (c) maintain other reserves, as required by law.

The General Fund is typically the financing source of last resort for the State's other major funds, including the Health Care Reform Act (HCRA) funds, the Dedicated Highway and Bridge Trust Fund (DHBTF), the School Tax Relief (STAR) Fund, and the Lottery Fund. Therefore, the General Fund projections account for any estimated funding shortfalls in these funds. Since the General Fund is the fund that is required to be balanced, the focus of the State's budgetary and gap-closing discussion is generally weighted toward the General Fund.

State Operating Funds is a broader measure of spending for operations (as distinct from capital purposes) that is financed with State resources. It includes not only the General Fund, but also State-financed special revenue funds and debt service funds. It excludes spending from capital project funds and Federal funds. As more spending has occurred outside of the General Fund, State Operating Funds has become, in DOB's view, a more meaningful measure of State-financed spending for operating purposes. Therefore, the discussion of disbursement projections often emphasizes the State Operating Funds perspective.

The State accounts for receipts and disbursements 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 State projections and results by fund and category. The State also reports disbursements and receipts activity for All Governmental Funds ("All Funds"), which includes spending from Capital Projects Funds and State and Federal operating funds, providing the most comprehensive view of the cash-basis financial operations of the State.

Fund types of the State include: the General Fund; State Special Revenue Funds, which receive certain dedicated taxes, fees and other revenues that are used for a specified purpose; Federal Special Revenue Funds, which receive certain Federal grants; Capital Projects Funds, which account for costs incurred in the construction and rehabilitation of roads, bridges, prisons, university facilities, and other infrastructure projects; and Debt Service Funds, which account for the payment of principal, interest, and related expenses for debt issued by the State and its public authorities.

State Finance Law also requires DOB to prepare a financial plan using generally accepted accounting principles (GAAP), although this requirement is for informational purposes only, and is not used for statutory reporting purposes. The GAAP-basis Financial Plan follows, to the extent practicable, the accrual methodologies and fund accounting rules applied by OSC in preparation of the audited Basic Financial Statements. The GAAP-basis financial plan is not used by DOB as a benchmark for managing State finances during the fiscal year.

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FISCAL YEAR 2011 (ENDING MARCH 31, 2011) SUMMARY RESULTS

Based on preliminary, unaudited results, the State ended FY 2011 in balance on a cash basis in the General Fund. Receipts, including transfers from other funds, totaled \$54.4 billion, an increase of \$343 million from the last public forecast.¹ Tax receipts exceeded projections by approximately \$150 million, with stronger than expected collections in personal income tax (PIT) and sales taxes, offset in part by lower collections for business taxes. All planned refunds were made according to schedule. Other sources of General Fund receipts (including transfers of fund balances, miscellaneous receipts, and Federal grants) were approximately \$195 million above planned levels. This was due almost exclusively to the transfer of excess balances from certain special revenue funds at the close of the fiscal year.

General Fund disbursements, including transfers to other funds, totaled \$55.4 billion, an increase of \$324 million from the last public forecast. The increase was due in part to the timing of payments that were due and budgeted for the first quarter of FY 2012 but that were made in the final quarter of FY 2011. These previously unanticipated payments included approximately \$154 million for debt service expenses and \$100 million for health care expenses.

The General Fund had a closing balance of \$1.37 billion, consisting of \$1.2 billion in the State's rainy day reserves (\$1.0 billion in the Tax Stabilization Reserve and \$175 million in the Rainy Day Reserve), \$136 million in the Community Projects Fund, \$21 million in the Contingency Reserve, and \$13 million in an undesignated fund balance. The closing balance in the General Fund was \$926 million lower than the closing balance for FY 2010. This reflects the planned use of an undesignated fund balance carried forward from FY 2010 into FY 2011. See "Prior Fiscal Years" herein for more information.

FISCAL YEAR 2012 (ENDING MARCH 31, 2012) SUMMARY OUTLOOK

BUDGET GAPS BEFORE BUDGET ADOPTION ("BASE" OR "CURRENT SERVICES" GAPS)

Before enactment of the FY 2012 budget, the State faced a projected budget gap of \$10 billion, and projected budget gaps in future years of \$14.9 billion in FY 2013, \$17.4 billion in FY 2014, and \$20.9 billion in FY 2015. These budget gaps represented the difference between (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain anticipated service levels and specific commitments, and (b) the expected level of resources to pay for them based on current law.² The gap estimates were based on a number of assumptions and projections developed by DOB in consultation with other State agencies. The assumptions reflected the impact of current statutory provisions on spending growth and tax receipts. Statutory mandates and entitlements, combined with enrollment increases and assumed reductions in Federal grants, accounted for a significant portion of projected base spending increases.

The estimated base gaps reflected, in part, the short-term impact of the recession on State tax receipts and economically-sensitive expenditure programs, the long-term growth in spending commitments, the expiration of the temporary PIT surcharge at the end of calendar year 2011, and the phase-out³ of the Federal stimulus funding for Medicaid, education, and other purposes.

¹ Derived from the "FY 2012 Executive Budget Financial Plan Updated for Governor's Amendments and Forecast Revisions," dated March 3, 2011, as summarized in the Quarterly Update to the FY 2011 AIS dated March 15, 2011.

² Typically referred to as the "current services" or "base" gaps.

³ Under the Federal American Recovery and Reinvestment Act of 2009 (ARRA), the Federal government increased the matching amount it paid on eligible State Medicaid expenditures from 50 percent to approximately 62 percent. This temporary

EXECUTIVE BUDGET PROPOSAL

The Governor submitted his Executive Budget proposal for FY 2012 on February 1, 2011, and amendments on February 24 and March 1, 2011, as permitted by law. The Governor's Executive Budget proposed measures (the "gap-closing plan") to eliminate the projected General Fund budget gap of \$10 billion in FY 2012, and to reduce the future projected budget gaps to \$2.2 billion in FY 2013, \$2.5 billion in FY 2014, and \$4.4 billion in FY 2015. The Executive Budget proposed savings of approximately \$2.85 billion each for School Aid and Medicaid; \$1.4 billion for State agency operations, including a 10 percent year-to-year reduction in State Operations spending in the General Fund, and corresponding reductions in other funds, where appropriate; and \$1.8 billion for a range of other programs and activities.

ENACTED BUDGET FOR FISCAL YEAR 2012

The Governor and legislative leaders announced general agreement on the outlines of a budget for FY 2012 on March 27, 2011. The Legislature passed the appropriations and accompanying legislation needed to complete the budget on March 31, 2011. Consistent with past practice, the Legislature enacted the annual debt service appropriations without amendment before the start of the fiscal year (on March 16, 2011). On April 11, 2011, the Governor completed his review of all budget bills, finalizing the enactment of the FY 2012 Budget. The following table provides selected projected indicators and measures of the Enacted Budget Financial Plan relative to the prior year and relative to the base budget for FY 2012 (i.e., before reflecting the anticipated impact of the gap-closing actions approved in the Enacted Budget).

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ENACTED BUDGET FINANCIAL PLAN AT-A-GLANCE: SELECTED INDICATORS AND MEASURES			
(millions of dollars)			
	2010-11 Year-End Results ¹	2011-12	
		Before Actions ^{1,2}	Enacted Budget ¹
State Operating Funds Budget			
Size of Budget	\$84,417	\$95,047	\$86,879
Annual Growth	4.7%	12.6%	2.9%
Other Budget Measures			
General Fund (with transfers)	\$55,373 6.1%	\$65,346 18.0%	\$56,932 2.8%
State Funds (Including Capital)	\$90,118 4.7%	\$101,311 12.4%	\$92,804 3.0%
Capital Budget (Federal and State)	\$7,844 10.3%	\$8,273 5.5%	\$7,888 0.6%
Federal Operating	\$42,564 8.8%	\$40,273 -5.4%	\$36,931 -13.2%
All Funds	\$134,825 6.3%	\$143,593 6.5%	\$131,698 -2.3%
All Funds (Including "Off-Budget" Capital)	\$136,261 6.0%	\$145,251 6.6%	\$133,395 -2.1%
All Funds Receipts			
Taxes	\$60,870 5.6%	\$64,538 6.0%	\$64,976 6.7%
Miscellaneous Receipts	\$23,148 -1.7%	\$22,809 -1.5%	\$23,407 1.1%
Federal Grants	\$49,303 8.3%	\$46,753 -5.2%	\$43,305 -12.2%
Total Receipts	\$133,321 5.2%	\$134,100 0.6%	\$131,688 -1.2%
Base Tax Growth/(Decline) ³	2.1%	7.5%	7.5%
Inflation (CPI)	1.4%	1.9%	2.1%
Budget Gaps			
2011-12	N/A	(\$10,001)	0
2012-13	N/A	(\$14,945)	(\$2,379)
2013-14	N/A	(\$17,429)	(\$2,836)
2014-15	N/A	(\$20,903)	(\$4,605)
Total General Fund Reserves	<u>\$1,376</u>	N/A	<u>\$1,737</u>
Rainy Day Reserve Funds	\$1,206	N/A	\$1,306
Reserved for Potential Retroactive Payments ⁴	\$0	N/A	\$346
All Other Reserves	\$170	N/A	\$85
State Workforce (Subject to Direct Executive Control) ⁵	125,787	127,032	126,395
Debt			
Debt Service as % All Funds Receipts	4.6%	4.9%	4.9%
State-Related Debt Outstanding	\$55,674	\$57,855	\$57,939

¹ Spending in State Operating Funds, State Funds, and Federal Operating Funds has been restated to follow the classification of State and Federal special revenue accounts used by the State Comptroller.

² Before spending reductions and other actions to eliminate the projected budget gap.

³ The base tax growth rate for the current year equals current year actual collections, less the incremental values of tax law changes and involuntary collections, divided by actual collections from the prior year.

⁴ The State has set aside funds that are expected to cover the costs of potential retroactive labor settlements with unions that have not agreed to contracts through FY 2011.

⁵ FY 2012 estimate does not reflect layoffs that may be necessary in the absence of negotiated workforce savings.

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The gap-closing plan authorized in the Enacted Budget Financial Plan did not differ significantly from the Executive Budget proposal. DOB estimates that the gap-closing plan eliminates the General Fund budget gap of \$10 billion in FY 2012 and reduces the budget gaps to \$2.4 billion in FY 2013, \$2.8 billion in FY 2014, and \$4.6 billion in FY 2015. The following table summarizes the multi-year impact of the gap-closing plan.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS				
SUMMARY OF CHANGES FROM REVISED CURRENT-SERVICES THROUGH ENACTED BUDGET				
(millions of dollars)				
	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
REVISED CURRENT-SERVICES ESTIMATE (BEFORE ACTIONS)	(10,001)	(14,945)	(17,429)	(20,903)
Enacted Budget Actions	10,001	12,566	14,593	16,298
Spending Reductions/Offsets	<u>8,537</u>	<u>11,967</u>	<u>14,302</u>	<u>15,908</u>
<i>Aid to Localities Reductions¹</i>	7,040	10,389	12,707	14,319
<i>State Agency Redesign</i>	1,497	1,578	1,595	1,589
Revenue Enhancements	324	293	91	21
Non-Recurring Resources	860	2	0	0
New Resources/Costs	380	304	200	369
Planned Deposit to Rainy Day Fund	(100)	0	0	0
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE AFTER ACTIONS	0	(2,379)	(2,836)	(4,605)

¹ Outyear savings assume Medicaid and School Aid grow at their target rates.

The gap-closing plan authorizes actions to lower General Fund spending by approximately \$8.5 billion in FY 2012 compared to the current-services forecast. The Enacted Budget includes estimated savings of \$2.8 billion for School Aid and \$2.7 billion for Medicaid (including a caseload reestimate); \$1.5 billion for State agency operations; and \$1.5 billion for a range of other programs and activities.

The gap-closing plan anticipates \$324 million in additional revenues associated with specific statutory changes. These changes include modernizing the State's tax system, improving voluntary compliance with tax law, and increasing the level of resources available from the Abandoned Property Fund. The Legislature authorized certain tax modernization initiatives for two years (scheduled to sunset on December 31, 2012).

Non-recurring actions are estimated by DOB to total approximately \$860 million in FY 2012. The actions are expected to be derived from contributions by the State's public authorities, use of fund balances, and maintaining a consistent level of pay-as-you-go (PAYGO) financing for eligible capital expenses (rather than increasing the level in FY 2012, as assumed in the base budget projections).

The Enacted Budget Financial Plan limits the annual growth rates for major programs, including Medicaid and School Aid. The established growth rate for the Department of Health (DOH) Medicaid State Funds spending is limited by law to the ten-year average change in the medical component of the Consumer Price Index (CPI). This is estimated at approximately 4 percent over the plan period. The growth rate for School Aid is limited to the rate of growth in New York State personal income.

The Enacted Budget includes two-year appropriations and changes to law for Medicaid and School Aid to help limit the growth in these programs to the target rates. In Medicaid, the budget grants State officials authority to make certain modifications to the Medicaid program to help maintain spending within the allowable limit. DOB anticipates that most potential modifications that are likely to be considered to constrain Medicaid spending will require the approval of the Federal government. Adherence to the limit is dependent on other factors, including the adoption of voluntary cost-saving

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measures by the health care industry. The new administrative authority granted to State officials to modify the Medicaid program expires after two years; however, the statutory Medicaid spending cap is not scheduled to expire. The Financial Plan projections for all fiscal years assume that Medicaid and School Aid will grow at the capped rates.

PROJECTED CLOSING BALANCES

DOB estimates the State will end FY 2012 with a General Fund balance of \$1.7 billion. The closing balance in the Rainy Day Reserve reflects a planned deposit of \$100 million in FY 2012.

GENERAL FUND ESTIMATED CLOSING BALANCE (millions of dollars)				
	2010-11	Planned Deposit	Planned Uses	2011-12
Projected Year-End Fund Balance	1,376	446	(85)	1,737
Tax Stabilization Reserve Fund	1,031	0	0	1,031
Rainy Day Reserve Fund	175	100	0	275
Contingency Reserve Fund	21	0	0	21
Community Projects Fund	136	0	(85)	51
Prior Year Labor Agreements (2007-2011)	0	346	0	346
Undesignated	13	0	0	13

The closing balance also includes \$346 million identified to cover the costs of potential retroactive labor settlements with unions that have not agreed to contracts through FY 2011. The amount is calculated based on the pattern settlement for FYs 2007 through 2011 agreed to by the State's largest unions for that period. In prior years, this amount has been carried in the annual spending totals. If settlements are reached in FY 2012, the projected fund balance in the General Fund would decline by an amount equal to the cost of the settlements.

The Community Projects Fund, which finances discretionary ("member item") grants allocated by the Legislature and Governor, is expected to disburse \$85 million in FY 2012, reflecting slower than anticipated spending and the repeal, as part of the FY 2012 gap-closing plan, of \$85 million in scheduled General Fund deposits for FY 2012.

ANNUAL SPENDING GROWTH

DOB estimates that State Operating Funds spending will total \$86.9 billion in FY 2012, an increase of \$2.5 billion (2.9 percent) from FY 2011 results. All Governmental Funds spending, which includes capital projects and Federal operating spending, is expected to total \$131.7 billion, a decrease of \$3.1 billion from the prior year. Consistent with recent experience, disbursements in FY 2011 were well below budgeted levels in State Operating Funds and in All Governmental Funds. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agencies) in special revenue funds and capital projects funds have been adjusted downward in FY 2012 and thereafter based on typical spending patterns and the observed variance between estimated and actual results over time.

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TOTAL DISBURSEMENTS (millions of dollars)							
	2010-11 Results	2011-12 Base	Before Actions		2011-12 Enacted	After Actions	
			Annual \$ Change	Annual % Change		Annual \$ Change	Annual % Change
State Operating Funds	84,417	95,047	10,630	12.6%	86,879	2,462	2.9%
General Fund (excluding transfers)	49,366	58,591	9,225	18.7%	50,912	1,546	3.1%
Other State Funds	29,373	30,364	991	3.4%	30,050	677	2.3%
Debt Service Funds	5,678	6,092	414	7.3%	5,917	239	4.2%
All Governmental Funds	134,825	143,593	8,768	6.5%	131,698	(3,127)	-2.3%
State Operating Funds	84,417	95,047	10,630	12.6%	86,879	2,462	2.9%
Capital Projects Funds	7,844	8,273	429	5.5%	7,888	44	0.6%
Federal Operating Funds	42,564	40,273	(2,291)	-5.4%	36,931	(5,633)	-13.2%
General Fund, including Transfers	55,373	65,346	9,973	18.0%	56,932	1,559	2.8%
State Funds	90,118	101,311	11,193	12.4%	92,804	2,686	3.0%

The annual spending growth in State Operating Funds is affected by the annual increases in debt service and fringe benefits, which are difficult to control in the short-term due to existing constitutional, statutory and contractual obligations. Together, these costs are projected to increase by nearly \$700 million in FY 2012. Debt service on State-supported debt is projected to increase by \$239 million (4.2 percent) in FY 2012. This includes the payment in FY 2011 of \$154 million in debt service expenses that were not due until the first quarter of FY 2012. Spending on fringe benefits and certain other fixed costs is projected to increase by \$428 million (7.0 percent). Growth in fringe benefits is due to increases in the State's annual contribution to the New York State and Local Retirement System and the cost of providing health insurance for active and retired State employees. Pension costs, including State contributions to SUNY's optional retirement program, are expected to increase by \$200 million (13.6 percent) in FY 2012, even with the amortization (i.e., deferral with interest expense) of contributions in excess of 10.5 percent of payroll in FY 2012. Without amortization, the State contribution to the State pension system in FY 2012 would total approximately \$2.1 billion, or \$635 million above the amount in the Enacted Budget Financial Plan.⁴ See "Other Matters Affecting the Financial Plan - Pension Expenditures (Including Amortization)" herein for more information. The following table summarizes the major sources of annual change in State spending by major program, purpose, and Fund perspective.

⁴ The Financial Plan assumes that the State will amortize pension costs, consistent with the provisions of the authorizing legislation. The State amortized \$249 million of its FY 2011 pension bill of \$1.5 billion and paid the balance on March 1, 2011. The amounts assumed to be amortized over the Financial Plan period are \$635 million in FY 2012, \$878 million in FY 2013, \$1.1 billion in FY 2014, and \$1.2 billion in FY 2015.

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STATE SPENDING MEASURES: BEFORE AND AFTER BUDGET ACTIONS (millions of dollars)							
STATE OPERATING FUNDS	2010-11 Results	2011-12 Base	Annual Change Before Actions		2011-12 Enacted	Annual Change After Actions	
			\$	%		\$	%
Local Assistance	55,295	64,509	9,214	16.7%	57,761	2,466	4.5%
School Aid ¹	19,788	22,453	2,665	13.5%	19,686	(102)	-0.5%
Medicaid ²	<u>14,158</u>	<u>19,992</u>	<u>5,834</u>	<u>41.2%</u>	<u>17,567</u>	<u>3,409</u>	<u>24.1%</u>
Department of Health ³	15,887	17,943	2,056	12.9%	15,679	(208)	-1.3%
Enhanced FMAP (DOH Only)	(3,948)	(353)	3,595	-91.1%	(353)	3,595	-91.1%
Mental Hygiene	2,150	2,290	140	6.5%	2,130	(20)	-0.9%
Children and Family Services	69	112	43	62.3%	111	42	60.9%
Transportation	4,254	4,298	44	1.0%	4,236	(18)	-0.4%
STAR	3,234	3,418	184	5.7%	3,293	59	1.8%
Social Services (Non-Medicaid)	2,800	3,302	502	17.9%	3,018	218	7.8%
Higher Education	2,469	2,711	242	9.8%	2,594	125	5.1%
Public Health/Aging	2,015	2,412	397	19.7%	2,121	106	5.3%
Other Education Aid	1,474	1,830	356	24.2%	1,743	269	18.2%
Mental Hygiene (Non-Medicaid)	1,428	1,661	233	16.3%	1,470	42	2.9%
Local Government Assistance	775	1,070	295	38.1%	767	(8)	-1.0%
All Other ⁴	2,900	1,362	(1,538)	-53.0%	1,266	(1,634)	-56.3%
State Operations	17,387	17,908	521	3.0%	16,728	(659)	-3.8%
Personal Service:	<u>12,422</u>	<u>12,485</u>	<u>63</u>	<u>0.5%</u>	<u>11,677</u>	<u>(745)</u>	<u>-6.0%</u>
Executive Agencies	7,163	7,054	(109)	-1.5%	6,511	(652)	-9.1%
University System	3,338	3,457	119	3.6%	3,316	(22)	-0.7%
Judiciary	1,525	1,568	43	2.8%	1,469	(56)	-3.7%
Legislature	174	165	(9)	-5.2%	165	(9)	-5.2%
Department of Law	112	117	5	4.5%	109	(3)	-2.7%
Audit & Control	110	124	14	12.7%	107	(3)	-2.7%
Non-Personal Service	4,965	5,423	458	9.2%	5,051	86	1.7%
Fringe Benefits/Fixed Costs	6,102	6,598	496	8.1%	6,530	428	7.0%
Pensions	1,470	1,672	202	13.7%	1,670	200	13.6%
Health Insurance	3,055	3,409	354	11.6%	3,429	374	12.2%
All Other Fringe Benefits	1,227	1,189	(38)	-3.1%	1,103	(124)	-10.1%
Fixed Costs	350	328	(22)	-6.3%	328	(22)	-6.3%
Debt Service	5,615	6,030	415	7.4%	5,855	240	4.3%
Capital Projects	18	2	(16)	-88.9%	5	(13)	-72.2%
TOTAL STATE OPERATING FUNDS	84,417	95,047	10,630	12.6%	86,879	2,462	2.9%
Capital Projects (State Funded)	5,701	6,264	563	9.9%	5,925	224	3.9%
TOTAL STATE FUNDS	90,118	101,311	11,193	12.4%	92,804	2,686	3.0%
Federal Spending (Including Capital Grants)	44,707	42,282	(2,425)	-5.4%	38,894	(5,813)	-13.0%
TOTAL ALL GOVERNMENTAL FUNDS	134,825	143,593	8,768	6.5%	131,698	(3,127)	-2.3%

¹ Excludes payment deferral. Includes Medicaid spending for School Supportive Health Services in FY2011.

² An additional \$3.6 billion in Medicaid spending for mental hygiene agencies is included in state operations and fringe benefits spending totals.

³ Includes operational costs that support contracts related to the management of the Medicaid program and various activities to ensure appropriate utilization.

⁴ All other includes school aid deferral, local aid spending in a number of other programs, including parks and the environment, economic development, and public safety, and reclassification of money between Financial Plan categories.

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Beginning with the Third Quarterly Update to the FY 2011 AIS, DOB changed its classification of State and Federal special revenue funds to conform to the accounting classifications used by OSC. This means that certain special revenue accounts formerly reported in the State's Financial Plan as Federal Operating Funds have been reclassified to State Operating Funds. This change has the effect of increasing the reported disbursements from State Operating Funds, and reducing reported disbursements from Federal Operating Funds by an equal amount. Accordingly, there is no impact on the State's reported All Governmental Funds spending totals. The impact of the reclassification on prior-year results is summarized in the following table for comparability.

STATE OPERATING FUNDS AS RESTATED (millions of dollars)			
	<u>Before</u> <u>Restatement</u>	<u>Reporting</u> <u>Adjustment</u> ¹	<u>Restated</u>
2005-06	66,240	3,065	69,305
2006-07	73,476	3,031	76,507
2007-08	76,989	3,029	80,018
2008-09	78,166	3,459	81,625
2009-10	76,873	3,786	80,659
2010-11	80,491	3,926	84,417
¹ DOB has reclassified certain special revenue accounts from Federal Operating Funds to State Operating Funds to be consistent with the methodology used by the Office of the State Comptroller.			

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FISCAL YEAR 2012 ENACTED BUDGET GAP-CLOSING PLAN

As noted above, DOB estimates that the Enacted Budget gap-closing plan eliminates the General Fund budget gap of \$10 billion in FY 2012 and reduces the budget gaps to \$2.4 billion in FY 2013, \$2.8 billion in FY 2014, and \$4.6 billion in FY 2015. The following table provides information on the actions and other changes that DOB believes will be sufficient to close the \$10.0 billion budget gap in FY 2012, and the impact these gap-closing actions are projected to have on upcoming fiscal years.

GENERAL FUND GAP-CLOSING PLAN FOR 2011-12 (millions of dollars)				
	2011-12	2012-13	2013-14	2014-15
CURRENT-SERVICES GAP ESTIMATES (BEFORE ACTIONS)	(10,001)	(14,945)	(17,429)	(20,903)
Total Enacted Budget Gap-Closing Plan	10,001	12,566	14,593	16,298
Spending Reductions/Offsets	8,537	11,967	14,302	15,908
Local Assistance	7,040	10,389	12,707	14,319
Medicaid	2,744	4,047	4,875	5,605
Public Health/Aging	52	140	147	154
School Aid	2,767	4,752	6,238	7,133
Lottery Aid	147	158	158	158
School Tax Relief	125	262	262	262
Special Education	98	0	0	0
Higher Education	47	50	51	51
Human Services/Labor/Housing	284	302	310	323
Local Government Aid	325	295	295	295
Mental Hygiene	328	327	317	280
Member Item Fund Deposit Repeal	85	0	0	0
All Other	38	56	54	58
State Agency Redesign	1,497	1,578	1,595	1,589
Revenue Enhancements	324	293	91	21
Tax Modernization/Voluntary Compliance	200	150	0	0
Abandoned Property	110	125	70	55
Prison Closure Tax Credit	0	0	(5)	(60)
All Other	14	18	26	26
Non-Recurring Resources	860	2	0	0
MTA Transaction	200	0	0	0
Debt Management/Capital Financing	200	0	0	0
HCRA Resource Reestimate	155	0	0	0
NYPA/Other Authorities	150	0	0	0
Recoveries	75	0	0	0
Fund Sweeps/Other	80	2	0	0
New Resources/Costs	380	304	200	369
Updated Receipts Forecast	387	455	460	448
Debt Service	154	0	0	0
Health Insurance Conversion	(150)	(25)	0	0
HEAL Capital Plan Reestimate	160	(94)	(160)	0
Native American Cigarette Tax Enforcement	(103)	0	0	0
All Other	(68)	(32)	(100)	(79)
Deposit to Rainy Day Reserve	(100)			
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE	0	(2,379)	(2,836)	(4,605)

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The gap-closing plan authorizes actions to lower spending by approximately \$8.5 billion in FY 2012 compared to the current-services forecast. The Enacted Budget includes savings of \$2.8 billion for School Aid and \$2.7 billion for Medicaid; \$1.5 billion for State agency operations; and \$1.5 billion for a range of other programs and activities. Significant actions reflected in the Enacted Budget Financial Plan are described below.

- **Medicaid (\$2.7 billion in savings and reestimates):** The gap-closing plan includes a series of programmatic changes and cost-containment measures that are expected to generate savings in FY 2012, and restrain growth in future years. These include programmatic reforms to Medicaid payments and program structures; the elimination of annual statutory inflation factors for hospitals, nursing homes and home and personal care providers (\$185 million); a 2 percent across-the-board rate reduction or other industry-specific measures (\$345 million); the acceleration of certain payments to take advantage of additional enhanced FMAP payments (\$66 million); and an industry-led effort to generate additional savings (\$640 million). DOB believes that the imposition of an overall cap on spending and administrative flexibility to implement alternative savings will help ensure the cap is not exceeded in FY 2012. In addition, the plan recognizes the impact of slower caseload growth and changes in provider spending patterns (\$475 million). See “Other Matters Affecting the Financial Plan - Budget Risks and Uncertainties” for a discussion of potential implementation risks. The following table summarizes the most significant Medicaid savings actions included in the Enacted Budget Financial Plan.

FINANCIAL PLAN INFORMATION

SUMMARY OF MEDICAID REDESIGN TEAM SAVINGS ACTIONS				
SAVINGS/(COSTS)				
(millions of dollars)				
	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Total Medicaid Savings Actions	2,744	4,047	4,875	5,605
Non-MRT Medicaid Actions	535	667	867	867
Program Growth Revision	475	650	850	850
Anti-Tobacco Spending Reduction	17	17	17	17
HEAL NY & Stem Cell Spending Reduction	43	0	0	0
Medicaid Redesign Team Savings Actions	2,209	3,380	4,008	4,738
Hospitals/Clinics	267	317	320	290
Reduce Costs by 2 Percent	66	68	68	68
Eliminate Inflationary Rate Increases (2011 and 2012)	28	61	61	61
Implement Health Homes for High-Cost/High-Need Population	33	112	119	95
All Other	140	76	72	66
Managed Care	296	329	339	341
Reduce Profit Margin from 3% to 1%	94	100	100	100
Reduce Costs by 2 Percent (Managed Care/Family Health Plus)	86	89	89	89
Reduce Premium Rate	84	86	86	86
Eliminate Marketing Funding	23	23	23	23
All Other	9	31	41	43
Home Care/Personal Care	256	212	200	196
Reduce Utilization	157	127	88	69
Reduce Costs by 2 Percent	58	60	60	60
Permanently Eliminate Inflationary Rate Increases	27	58	58	58
Establish Supportive Housing Initiative	0	(75)	(75)	(75)
All Other	14	42	69	84
Nursing Home	187	249	253	253
Provider Assessment (2 Percent Reduction Alternative)	70	73	73	73
Permanently Eliminate Inflationary Rate Increases	47	100	100	100
Restructure Reimbursement for Proprietary Homes	44	44	44	44
All Other	26	32	36	36
Pharmaceutical Savings	154	244	245	252
Reduce Costs by 2 Percent	42	43	43	43
Comprehensive Fee for Service Reform	59	92	92	92
All Other	53	109	110	117
All Other	1,049	2,029	2,651	3,406
Contingency Industry Utilization Reduction	640	1,525	2,135	2,693
Enhance Program Integrity	80	160	160	160
Payment Acceleration	66	0	0	0
Non-institutional Services - Reduce Costs by 2 Percent	19	20	20	20
Transportation - Reduce Costs by 2 Percent	4	4	4	4
All Other	240	320	332	529

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- **Public Health/Aging (\$52 million):** Limits the Elderly Pharmaceutical Insurance Coverage (EPIC) only to enrollees affected by the Medicare Part D coverage gap; modifies the payment rates, eligibility standards, and operation of the EI program; eliminates reimbursement for optional services provided through the General Public Health Works Program (GPHW); and reduces certain public health and aging programs.
- **School Aid (\$2.8 billion on a State fiscal year basis):** Reduces general School Aid, with low-wealth districts receiving proportionally smaller reductions, and extends the phase-in of Foundation Aid and universal pre-kindergarten (UPK) at the FY 2011 school year levels. Additional savings are expected to be realized in future years by limiting annual School Aid increases to the rate of growth in New York personal income.
- **Lottery Aid (\$147 million):** Enhances the operation of the State's lottery games and video lottery terminal (VLT) facilities (including increased promotion of VLTs and enhancements to Quick Draw and other lottery games) to increase lottery revenues for financing School Aid.
- **STAR (\$125 million):** Caps growth in STAR exemption benefits per qualifying property at 2 percent annually.
- **Education (\$98 million):** Alters the reimbursement schedule for certain special education programs.
- **Human Services/Labor/Housing (\$284 million):**

In the area of the Office of Temporary and Disability Assistance (OTDA), delays by one year a 10 percent increase in the public assistance grant that was scheduled for July 1, 2011; eliminates State participation for New York City's shelter supplement program; and reduces reimbursement to New York City for adult homeless shelter costs. In addition, the Enacted Budget maximizes Federal Temporary Assistance for Needy Families (TANF) funds to pay the full costs for TANF-eligible households on public assistance.

In the area of the Office of Children and Family Services (OCFS), reduces Child Welfare disbursements based on improved program performance data; decreases the State share of the Adoption Subsidy Program from 73.5 to 62 percent; increases the share of Committee on Special Education program costs paid by school districts to better align costs with program responsibility; restructures funding for local detention costs; and eliminates the 1.2 percent Human Services cost of living adjustment (COLA) scheduled for FY 2012.

- **Local Government Aid (\$325 million):** Continues the State's current Aid and Incentives for Municipalities (AIM) policy that excludes payments for New York City, reduces AIM for other municipalities by 2 percent, and reduces other targeted aid provided to municipalities.
- **Mental Hygiene (\$328 million):** Eliminates the planned 1.2 percent Human Services COLA; reforms and restructures Office for Mental Health (OMH), Office for People with Developmental Disabilities (OPWDD), and the Office for Alcoholism and Substance Abuse Services (OASAS) programs; enhances billing and auditing recovery; freezes community bed development and planned program expansion; maintains existing funding levels related to the implementation of the Rockefeller-era drug law reforms and other programs; and delays funding related to pending adult home litigation.

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- **Higher Education (\$47 million):** Reduces State support for the State University of New York (SUNY) and the City University of New York (CUNY) community colleges and reduces the Tuition Assistance Program (TAP) spending by continuing changes to eligibility standards and reducing certain grant awards. Savings will be offset in part by renewal of funding for certain scholarship programs, and new funding to extend TAP awards for students attending certain institutions of higher education not supervised by the State Education Department (SED).
- **Member Item Deposit (\$85 million):** Repeals a planned deposit of \$85 million to the fund that was authorized in the FY 2010 Enacted Budget.

STATE AGENCY REDESIGN

Agency redesign savings are expected to be achieved through several means including, but not limited to, facility closures reflecting excess capacity conditions, operational efficiencies, and wage and benefit changes expected to be negotiated with the State's employee unions. In total, the reductions are expected to provide an estimated \$1.5 billion in savings compared to the current-services forecast (including \$170 million from the Office of Court Administration (OCA)). If the State is unsuccessful in negotiating wage and benefit changes, DOB expects that significant layoffs will be necessary to achieve the State agency savings contained in the Enacted Budget Financial Plan.

To achieve the overall savings target, the gap-closing plan includes year-to-year reductions to State agencies financed from the General Fund, and comparable reductions to the following: health care and mental hygiene institutions, City University Senior Colleges (for parity with SUNY), and the operations of the Department of Transportation (DOT) and the Department of Motor Vehicles (DMV). State agency operations are financed from a number of different appropriations and funds. In some instances, only a portion of an agency's operations were exempt from reduction (e.g., SUNY). Results for FY 2011, subsequent revisions to estimated disbursements in FY 2012, and the ongoing implementation of efficiencies will affect the size of the reductions among agencies. The Legislature, and activities financed with specific dedicated revenues such as tuition, are not included in the reductions.

Implementation of the savings in State agencies may be affected by, among other things, statutory or regulatory constraints, negotiations with State employee unions, and other factors. Accordingly, there can be no assurance that the actual savings will not differ materially and adversely from the Enacted Budget Financial Plan projections.

REVENUE ENHANCEMENTS

The gap-closing plan anticipates \$324 million in additional revenues associated with specific statutory changes. These changes include modernizing the State's tax system, improving voluntary compliance with tax law, and increasing the level of resources available from the Abandoned Property Fund. The Legislature authorized certain tax modernization initiatives that are scheduled to sunset on December 31, 2012.

Tax modernization initiatives are expected to increase the level of PIT returns filed electronically. Electronic filing improves data matching with existing IRS and other data sources, resulting in increased State revenue through denied refunds and more accurate final returns. In addition, the Tax Commissioner is provided discretion to require dedicated bank accounts for sales tax deposits and more frequent filing from sales tax filers who have a poor filing record.

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The Enacted Budget Financial Plan also includes law changes that reduce the dormancy periods on thirteen items that currently fall dormant at either five or six years, to three years. These dormancy periods reflect the length of time a vendor (e.g. a bank) can hold funds before they are deemed abandoned and turned over to the State. Dormancy periods are reduced for demand deposit accounts, lost property, savings accounts, time deposit accounts, and trust funds, among others. Persons are able to retrieve abandoned funds through OSC. In addition, the Enacted Budget Financial Plan assumes additional revenues based on a review of abandoned property resources.

NON-RECURRING RESOURCES

Non-recurring actions are estimated by DOB to total approximately \$860 million in FY 2012. The actions are expected to be derived from, among other things, contributions by the State's public authorities, use of fund balances, and maintaining a consistent level of PAYGO financing for eligible capital expenses (rather than increasing the level in FY 2012 as assumed in the base budget projections).

OTHER RESOURCES

Additional resources were identified during negotiations on the FY 2012 budget that were offset in part by new costs and forecast revisions. Net new resources, which are based on a review of FY 2011 results and other information, are estimated to total \$380 million in FY 2012. The resources include \$387 million in higher projected tax receipts; \$154 million in estimated lower debt service costs from the payment of certain expenses in March 2011; and \$160 million related to grants for capital construction and repair of eligible health care facilities that are expected to be disbursed more slowly than originally anticipated, resulting in lower projected disbursements in FY 2012, but increased spending in future years. New costs reflect changes in the timing of expected proceeds from the conversion of a non-profit health insurer to for-profit status and a reduction to the estimate of tax receipts in FY 2012 related to tax enforcement efforts on Native American lands due to delays related to ongoing litigation.

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OTHER MATTERS AFFECTING THE ENACTED BUDGET FINANCIAL PLAN

GENERAL

The Enacted Budget Financial Plan forecasts are subject to many complex economic, social, financial, and political risks and uncertainties, many of which are outside the ability of the State to control. DOB believes that the projections of receipts and disbursements in the Enacted Budget Financial Plan are based on reasonable assumptions, but there can be no assurance that actual results will not differ materially and adversely from these projections. In recent fiscal years, actual receipts collections have fallen substantially below the levels forecast in the Financial Plan.

The Enacted Budget Financial Plan is based on numerous assumptions, including the condition of the State and national economies and the concomitant receipt of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecasts include the impact of: international events in Japan, the Middle East, and elsewhere on consumer confidence, oil supplies and oil prices; Federal statutory and regulatory changes concerning financial sector activities; changes concerning the structure of financial sector bonuses, as well as any future legislation governing the structure of compensation; shifts in monetary policy affecting interest rates and the financial markets; financial and real estate market developments on bonus income and capital gains realizations; and, household deleveraging on consumer spending and State tax collections. See the section on “Economics and Demographics” in this AIS for more detailed information on specific economic risks.

The Enacted Budget Financial Plan is subject to various other uncertainties and contingencies relating to, among other factors: the extent, if any, to which wage increases for State employees exceed the annual wage costs assumed; realization of projected earnings for pension fund assets and current assumptions with respect to wages for State employees affecting the State's required pension fund contributions; the willingness and ability of the Federal government to provide the aid reflected in the Enacted Budget Financial Plan; the ability of the State to implement cost reduction initiatives, including the reduction in State agency operations, and the success with which the State controls expenditures; and the ability of the State and its public authorities to market securities successfully in the public credit markets. Some of these specific issues are described in more detail in the Enacted Budget Financial Plan. The projections and assumptions contained in the Enacted Budget Financial Plan are subject to revision which may involve substantial change, and no assurance can be given that these estimates and projections, which include actions the State expects to be taken but which are not within the State's control, will be realized.

BUDGET RISKS AND UNCERTAINTIES

There can be no assurance that the projected outyear budget gaps will not increase materially from the levels currently projected. If this were to occur, the State would be required to take additional gap-closing actions. These may include, but are not limited to, additional reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid; suspension of capital maintenance and construction; extraordinary financing of operating expenses; or other measures. In nearly all cases, the ability of the State to implement these actions requires the approval of the Legislature or other entities outside of the control of the Governor.

The Enacted Budget Financial Plan anticipates the use of certain statutory tools to implement the Medicaid cost controls assumed in the gap-closing plan. However, there can be no assurance that these controls will be sufficient to achieve the level of gap-closing savings anticipated in FY 2012 or limit the rate of annual growth in DOH State Funds Medicaid spending to the projected level, which is estimated at approximately 4 percent annually over the plan period. Every 1 percent variance in the annual growth rate would change spending by approximately \$150 million. In addition, savings in FY 2012 and in future years are dependent upon timely Federal approvals, appropriate amendments to existing systems and processes, and a collaborative working relationship with health care industry stakeholders.

The Enacted Budget Financial Plan forecast contains specific transaction risks and other uncertainties including, but not limited to, the receipt of certain payments from public authorities; the receipt of miscellaneous revenues at the levels expected in the Enacted Budget Financial Plan, including payments pursuant to the Tribal State Compact; and the achievement of cost-saving measures including, but not limited to, the transfer of available fund balances to the General Fund at the levels currently projected. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Enacted Budget Financial Plan in the current year or future years.

CURRENT CASH-FLOW PROJECTIONS

The General Fund is authorized to borrow resources temporarily from other available funds in the State's Short-Term Investment Pool (STIP) for up to four months, or to the end of the fiscal year, whichever period is shorter. The amount of resources that can be borrowed by the General Fund is limited to the available balances in STIP, as determined by the State Comptroller. Available balances include money in the State's governmental funds (labeled "All Funds" in the following table), as well as relatively small amounts of other money belonging to the State.

The General Fund used this authorization to meet certain payment obligations in May, June, September, November, and December 2010, and April 2011. The General Fund is likely to rely on this borrowing authority at times during FY 2012.

The State continues to reserve money on a quarterly basis for debt service payments that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds, continues to be set aside as required by law and bond covenants.

The projected month-end cash balances for FY 2012 are shown in the following table. The projections assume successful implementation of the gap-closing plan. General Fund cash balances are expected to be relatively low, especially during the first half of the fiscal year.

DOB will continue to monitor and manage the State's cash position closely during the fiscal year in an effort to maintain adequate operating balances.

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PROJECTED ALL FUNDS MONTH-END CASH BALANCES			
FISCAL YEAR 2011-12			
(millions of dollars)			
	General Fund	Other Funds	All Funds
April	4,475	4,195	8,670
May	1,098	4,372	5,470
June	489	3,613	4,102
July	1,245	4,454	5,699
August	946	4,830	5,776
September	4,192	2,339	6,531
October	3,023	3,347	6,370
November	1,568	3,661	5,229
December	1,906	2,620	4,526
January	5,645	4,437	10,082
February	5,025	4,776	9,801
March	1,737	2,523	4,260

Source: NYS DOB

PENSION EXPENDITURES (INCLUDING AMORTIZATION)

Part TT of Chapter 57 of the Laws of 2010 (see description on page 113 of this AIS) authorized the State and local governments to elect to defer paying (or “amortize”) a portion of their pension costs beginning in FY 2011. Amortization temporarily reduces the pension costs that must be paid by participating employers in a given fiscal year, but results in higher costs overall. Specifically, the amount of the difference between the actuarial contribution rate and statutory amortization thresholds in a given fiscal year (which were 9.5 percent of payroll for Employees’ Retirement System (ERS) and 17.5 percent for the Police and Fire Retirement System (PFRS) in FY 2011), may be amortized by governmental entities which elect to do so. The statutory threshold for amortization increases by 1 percentage point annually (e.g., from 9.5 percent in FY 2011 to 10.5 percent in FY 2012). Under the amortization program, if the State elects to amortize each year, the State’s minimum ERS pension contribution rate as a percentage of payroll will grow from 10.5 percent in FY 2012 to 13.5 percent in FY 2015. The PFRS minimum contribution rate under the amortization program will be 18.5 percent in FY 2012 and grow to 21.5 percent in FY 2015. The authorizing legislation also permits amortization in all future years if the actuarial contribution rate is greater than the amortization threshold, which may increase or decrease in the same direction as the actuarial rate by no more than one percentage point for each year. Repayment of the amortized amounts will be made over a ten-year period at an interest rate comparable to taxable fixed income instruments of comparable duration as determined annually by the State Comptroller. For amounts amortized in FY 2011, the State Comptroller set an interest rate of 5 percent.

In March 2011, the State made a pension payment of \$1.078 billion for FY 2011, and amortized \$216 million. In addition, the State’s Office of Court Administration (OCA) made its pension payment of \$179 million, and amortized \$33 million. The \$249 million in total deferred payments will be repaid with interest over the next ten years, beginning in FY 2012. The Enacted Budget Financial Plan assumes that the State and OCA will amortize pension costs, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB to be 5 percent over a 10-year period, beginning in the fiscal year following each deferred payment.

The following table, which summarizes pension contributions and projections for future fiscal years, reflects the “normal costs” of pension contributions as the amount the State would contribute to fund

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pensions before amortization, along with “new amortized amounts” assumed in upcoming years. The repayment costs associated with these amortizations are reflected as the “amortization payment.” Consistent with these amortization assumptions, Part TT of Chapter 57 of the Laws of 2010 requires that: a) the State make “additional contributions” in upcoming fiscal years, above the actuarially required contribution, and b) once all outstanding amortizations are paid off, that additional contributions will be set aside as “reserves for rate increases”, to be invested by the State Comptroller and used to offset future year rate increases. Projections in the table below are based on certain assumptions about actuarial factors on investment earnings and benefits to be paid, and actual results may vary from the projections provided below.

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM* PENSION CONTRIBUTIONS AND OUTYEAR PROJECTIONS (millions of dollars)							
Fiscal Year	Normal Costs**	New Amortized Amounts	Amortization Payment	Additional Contributions	Total	Reserves for Rate Increases	Plus Interest at 5%
2010-11 Actual	1,552.4	(249.0)	0.0	0.0	1,303.4	0.0	0.0
2011-12 Projected	2,105.9	(634.6)	32.4	0.0	1,503.7	0.0	0.0
2012-13 Projected	2,454.0	(877.8)	114.7	0.0	1,690.9	0.0	0.0
2013-14 Projected	2,832.9	(1,118.7)	228.7	0.0	1,942.9	0.0	0.0
2014-15 Projected	3,088.3	(1,221.2)	373.6	0.0	2,240.7	0.0	0.0
2015-16 Projected	2,734.1	(759.0)	532.2	0.0	2,507.3	0.0	0.0
2016-17 Projected	2,480.4	(414.0)	630.5	0.0	2,696.9	0.0	0.0
2017-18 Projected	2,393.0	(143.8)	684.1	0.0	2,933.3	0.0	0.0
2018-19 Projected	2,360.4	0.0	684.1	80.5	3,125.0	0.0	0.0
2019-20 Projected	2,082.1	0.0	656.0	321.6	3,059.8	0.0	0.0
2020-21 Projected	1,662.1	0.0	545.2	699.9	2,907.2	0.0	0.0
2021-22 Projected	1,104.1	0.0	347.2	1,182.4	2,633.7	0.0	0.0
2022-23 Projected	1,036.3	0.0	23.5	1,168.0	2,227.8	1,136.3	1,193.1
2023-24 Projected	1,005.9	0.0	0.0	1,109.4	2,115.3	2,245.7	2,417.7
2024-25 Projected	993.1	0.0	0.0	1,025.7	2,018.8	3,271.4	3,615.5
2025-26 Projected	957.0	0.0	0.0	957.8	1,914.8	4,229.2	4,802.0

Source: NYS DOB
 *Pension contribution values do not include pension costs related to the Optional Retirement Program and Teachers' Retirement System for SUNY and SED, whereas the projected pension disbursements in the Financial Plan tables presented in this AIS include these costs.
 Pension contribution values include the State's Office of Court Administration (OCA)
 **Includes amortization payments from amortizations prior to FY 2011.

OTHER POST EMPLOYMENT BENEFITS (OPEB)

Substantially all of the State’s employees become eligible for post-retirement benefits if they reach retirement while working for the State. In accordance with the Governmental Accounting Standards Board Statement 45 (GASBS 45), the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State’s Basic Financial Statements for FY 2010, the Annual Required Contribution (ARC) represents the annual level of funding that, if set aside on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated with interest as part of the net OPEB obligation (after adjusting for amounts previously required).

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As reported in the State's Basic Financial Statements for FY 2010, an actuarial valuation of OPEB liabilities was performed as of April 1, 2008, with results projected to April 1, 2009 for the fiscal year ended March 31, 2010. The valuation calculated the present value of the actuarial accrued total liability for benefits as of March 31, 2010 at \$55.9 billion (\$46.3 billion for the State and \$9.6 billion for SUNY). This was determined using the Frozen Entry Age actuarial cost method, and is amortized over an open period of 30 years using the level percentage of projected payroll amortization method.

The net OPEB liability for FY 2010 totaled \$3.3 billion (\$2.7 billion for the State and \$0.6 billion for SUNY) under the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. This was \$2.1 billion (\$1.7 billion for the State and \$0.4 billion for SUNY) above the payments for retiree costs made by the State in FY 2010. This difference between the State's PAYGO costs and the actuarially determined required annual contribution under GASBS 45 reduced the State's then positive net asset condition at the end of FY 2010 by \$2.1 billion.

The State's actuarial consultant has provided an updated calculation of the ARC and annual OPEB costs. The updated calculation shows the present value of the actuarially accrued total liability for benefits at \$60.2 billion (\$50.1 billion for the State and \$10.1 billion for SUNY). The updated calculation will ultimately be reflected in the financial statements for the State and SUNY for FY 2011. In future updates to this calculation, DOB expects the estimate of OPEB costs to increase substantially. The causes of this anticipated increase include: higher assumed increases in the cost of health care, implementation of the Federal Patient Protection and Affordable Care Act, and decreased interest rates.

GASBS 45 does not require the additional costs to be funded on the State's budgetary basis, and no increased funding is assumed for this purpose in the Enacted Budget Financial Plan. On a budgetary (cash) basis, the State continues to finance these costs, along with all other employee health care expenses, on a PAYGO basis. The following table summarizes the actual budgeted and projected payments for health insurance in the Enacted Budget Financial Plan.

FORECAST OF NEW YORK STATE EMPLOYEE HEALTH INSURANCE COSTS (millions of dollars)			
Year	Active Employees	Retirees	Total State
2007-08 (Actual)	1,390	1,182	2,572
2008-09 (Actual)	1,639	1,068	2,707
2009-10 (Actual)	1,609	1,072	2,681
2010-11 (Actual)	1,834	1,221	3,055
2011-12 (Projected)	2,144	1,285	3,429
2012-13 (Projected)	2,367	1,418	3,785
2013-14 (Projected)	2,575	1,543	4,118

All numbers reflect the cost of health insurance for GSCs (Executive and Legislative branches) and the Office of Court Administration.

As noted, there is no provision in the Enacted Budget Financial Plan to pre-fund the OPEB liability. 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 and seek input from the State Comptroller, the legislative fiscal committees, and other outside parties. However, it is not expected that the State will alter its planned funding practices, in light of existing fiscal circumstances.

DEBT REFORM ACT LIMIT

The Debt Reform Act of 2000 limits outstanding State-supported debt to no greater than 4 percent of New York State personal income, and debt service on State-supported debt to no greater than 5 percent of All Governmental Funds receipts. The limits apply to all State-supported debt issued on or after April 1, 2000. The State estimates that \$32.8 billion of State-supported debt outstanding was subject to the limit as of March 31, 2011, which is equal to approximately 3.5 percent of personal income. Debt service subject to the limit will be approximately \$3.1 billion, equal to 2.4 percent of All Governmental Funds receipts.

Based on the updated forecast, debt outstanding and debt service costs over the Financial Plan period are expected to remain below the limits imposed by the Debt Reform Act. However, the available room under the debt outstanding cap is expected to decline from \$5.0 billion in FY 2011 to approximately \$1.1 billion in FY 2013 and FY 2014. The estimates do not include the potential impact of new capital spending that may be authorized in future budgets, or efforts to curtail existing bonded programs. The debt reform projections are sensitive to changes in State personal income levels. Measures to adjust capital spending and debt financing practices are expected to continue to be needed for the State to stay in compliance with the statutory limit on debt outstanding. The table below reflects the State's estimated and projected available debt capacity (after factoring in the SUNY transaction described below, which would add \$152 million to the State's outstanding debt), and other adjustments, such as changes to projected bond-financed capital spending and to estimated growth in State personal income over the plan period.

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal Income	Cap %	Cap \$	Debt Outstanding Since April 1, 2000	\$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
2010-11	946,054	4.00%	37,842	32,824	5,018	3.47%	0.53%	18,808	51,632
2011-12	990,586	4.00%	39,623	37,080	2,543	3.74%	0.26%	17,196	54,276
2012-13	1,026,944	4.00%	41,078	39,909	1,169	3.89%	0.11%	15,605	55,513
2013-14	1,079,719	4.00%	43,189	42,119	1,070	3.90%	0.10%	14,011	56,130
2014-15	1,137,630	4.00%	45,505	43,810	1,695	3.85%	0.15%	12,417	56,227
2015-16	1,197,873	4.00%	47,915	45,259	2,656	3.78%	0.22%	10,880	56,139

SUNY ACQUISITION OF LONG ISLAND COLLEGE HOSPITAL (LICH) AND ASSUMPTION OF DEBT

SUNY is expected to take possession of LICH, a 500-licensed-bed facility located in Brooklyn, New York by May 29, 2011. The operations of LICH are expected to be merged into those of SUNY's Downstate Medical Center. As part of the transaction, which has been approved by the State Comptroller, DOB, and the Attorney General, SUNY will assume outstanding LICH debt of \$152 million. Annual debt service on this debt is expected to total approximately \$17 million. Based on the structure of the transaction, once the debt is assumed by the State it will be classified as State-supported debt and subject to the State's statutory debt limits.

FINANCIAL PLAN INFORMATION

BOND MARKET

Implementation of the Enacted Budget Financial Plan is dependent on the State's ability to market its bonds successfully. The State finances much of its capital spending in the first instance from the General Fund or STIP, which it then reimburses with proceeds from the sale of general obligation or other State-supported bonds. If the State cannot sell bonds at the levels (or on the timetable) expected in the capital plan, it can adversely affect the State's overall cash position and capital funding plan. The success of projected public sales will be subject to prevailing market conditions. Future developments in the financial markets generally, as well as future developments concerning the State, and public discussion of such developments, may affect the market for outstanding State-supported and State-related debt.

LITIGATION

Litigation against the State may include potential challenges to the constitutionality of various actions. The State may also be affected by adverse decisions that are the result of various lawsuits. Such litigation may not meet the materiality threshold (or a determination of materiality is not possible to make at this time) to warrant individual description in this AIS but, in the aggregate, could still adversely affect the State's Enacted Budget Financial Plan. See "Litigation and Arbitration" herein.

FEDERAL FUNDING

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes. The Enacted Budget Financial Plan assumes relatively stable levels of Federal aid over the forecast period. Changes in Federal funding levels could have a materially adverse impact on the Enacted Budget Financial Plan.

The Enacted Budget Financial Plan may be adversely affected by actions taken by the Federal government, including audits, disallowances, changes in aid levels, and changes to Medicaid rules. For example, all Medicaid claims are subject to audit and review by the Federal government. The Federal Centers for Medicare and Medicaid Services (CMS) has engaged the State regarding claims for services provided to individuals in developmental centers operated by OPWDD. Although no official audit has commenced and the rates paid for these services are established in full accordance with the methodology set forth in the approved State Plan, adverse action by CMS relative to these claims could jeopardize a significant amount of Federal financial participation in the State Medicaid program. The State has begun the process of seeking CMS approval to proceed with the development of a new demonstration waiver to create a contemporary and sustainable system of service funding and delivery for individuals with developmental disabilities. In addition, the Enacted Budget Financial Plan assumes a Medicaid rate increase in FY 2012 to cover the cost of continuing to provide services to individuals residing in State Development Centers. This increase is primarily attributable to a volume adjustment related to the State's on-going efforts to move individuals with developmental disabilities into more individualized community-based residential settings. An adverse decision regarding this rate increase would jeopardize approximately \$150 million in Federal Financial Participation currently assumed in the Enacted Budget Financial Plan.

HEALTH INSURANCE COMPANY CONVERSIONS

State law permits a health insurance company to convert its organizational status from a not-for-profit to a for-profit corporation (a “health care conversion”), subject to a number of terms, conditions, and approvals. Under State law, the State must use the proceeds from a health care company conversion for health-care-related expenses included in the HCRA account. For planning purposes, the Enacted Budget Financial Plan assumes no proceeds from a health care conversion in FY 2012, but counts on proceeds of approximately \$250 million annually in future years of the plan, which would be deposited into HCRA. If a conversion does not occur on the timetable or at the levels assumed in the Enacted Budget Financial Plan, the State would be required to take other actions to increase available resources or to reduce planned spending to fund projected HCRA disbursements.

LABOR SETTLEMENTS

The Enacted Budget Financial Plan for FY 2012 includes a reserve of \$346 million to cover the costs of a pattern settlement with all unions that have not agreed to contracts for FY 2008 through FY 2011. The pattern is based on the terms agreed to by the State’s largest unions for this period. There can be no assurance that actual settlements, some of which are subject to binding arbitration, will not exceed the amounts included in the Enacted Budget Financial Plan. An additional risk is the potential cost of salary increases for judges which could occur in FY 2013 and beyond as a result of the actions of a statutorily authorized judicial compensation commission. The Enacted Budget Financial Plan does not include any costs for potential general wage increases after the current labor agreements expire or for salary increases for judges.

FINANCIAL PLAN PROJECTIONS

FISCAL YEARS 2012 THROUGH 2015

INTRODUCTION

This section presents the State's updated multi-year Financial Plan projections for receipts and disbursements, reflecting the impact of the FY 2012 Enacted Budget actions. The projections cover the period for FYs 2012 through 2015, with an emphasis on the FY 2012 projections.

The State's cash-basis budgeting system, complex fund structure, and practice of earmarking certain tax receipts for specific purposes complicates the discussion of the State's receipts and disbursement projections. Therefore, to minimize the distortions caused by these factors and, equally important, to highlight relevant aspects of the projections, DOB has adopted the following approaches in summarizing the projections:

- **Receipts:** The detailed discussion of tax receipts covers projections for both the General Fund and State Funds (including capital projects). The latter perspective reflects overall estimated tax receipts before their diversion among various funds and accounts, including tax receipts dedicated to capital projects funds (which fall outside of the General Fund and State Operating Funds accounting perspectives). DOB believes this presentation provides a clearer picture of projected receipts, trends and forecast assumptions, by factoring out the distorting effects of earmarking.
- **Disbursements:** Over 40 percent of projected State-financed spending for operating purposes is accounted for outside of the General Fund and is primarily concentrated in the areas of health care, School Aid, higher education, transportation and mental hygiene. To provide a clearer picture of spending commitments, the multi-year projections and growth rates are presented, where appropriate, on both a General Fund and State Operating Funds basis. The projections for School Aid and Medicaid reflect the FY 2012 Enacted Budget spending limitations, as described earlier.

In evaluating the State's multi-year operating forecast, it should be noted that the reliability of the estimates and projections as a predictor of the State's future financial position is likely to diminish the further removed such estimates and projections are from the date of this AIS. Accordingly, in terms of the outyear projections, FY 2013 is the most relevant from a planning perspective.

SUMMARY

DOB estimates that the Enacted Budget provides for a balanced General Fund Financial Plan in FY 2012 and leaves projected gaps that total approximately \$2.4 billion in FY 2013, \$2.8 billion in FY 2014, and \$4.6 billion in FY 2015. The projected net operating shortfalls in State Operating Funds are projected at \$1.8 billion in FY 2013, \$2.1 billion in FY 2014, and \$3.8 billion in FY 2015.

The imbalances projected for the General Fund and State Operating Funds in future years are similar because the General Fund is the financing source of last resort for many State programs. Imbalances in other funds are typically financed by the General Fund.

The following tables present the multi-year projections and growth rates for the General Fund and State Operating Funds, as well as a reconciliation between the State Operating Funds projections and the General Fund budget gaps. It is followed by a summary of the multi-year receipts and disbursement forecasts.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

GENERAL FUND PROJECTIONS

MULTI-YEAR GENERAL FUND PROJECTIONS					
(millions of dollars)					
	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Receipts					
Taxes (After Debt Service)	49,529	53,137	53,893	56,705	58,201
Miscellaneous Receipts/Federal Grants	3,149	3,158	2,977	2,556	2,126
Other Transfers	1,769	998	772	615	610
Total Receipts	<u>54,447</u>	<u>57,293</u>	<u>57,642</u>	<u>59,876</u>	<u>60,937</u>
Disbursements					
Local Assistance Grants	37,206	38,888	40,115	41,996	43,734
School Aid	16,645	16,802	17,197	18,030	18,876
Other Education Aid	1,459	1,732	1,904	1,993	2,060
Higher Education	2,448	2,578	2,715	2,804	2,891
Medicaid (incl. administration)	7,478	10,236	10,456	11,009	11,458
Public Health/Aging	765	852	891	881	886
Mental Hygiene	2,239	1,881	1,978	2,161	2,280
Social Services	2,859	3,117	3,441	3,721	3,885
Local Government Assistance	776	767	797	787	787
All Other ¹	2,537	923	736	610	611
State Operations	7,973	7,356	7,951	7,915	8,210
Personal Service	6,151	5,560	5,773	5,879	6,047
Non-Personal Service	1,822	1,796	2,178	2,036	2,163
General State Charges	4,187	4,668	5,126	5,499	5,660
Pensions	1,470	1,670	1,857	2,113	2,411
Health Insurance (Active Employees)	1,834	2,144	2,367	2,575	2,592
Health Insurance (Retired Employees)	1,221	1,285	1,418	1,543	1,553
All Other	(338)	(431)	(516)	(732)	(896)
Transfers to Other Funds	6,007	6,020	6,738	7,160	7,796
State Share Medicaid	2,497	3,032	3,119	3,082	3,082
Debt Service	1,737	1,449	1,712	1,658	1,566
Capital Projects	932	800	1,168	1,361	1,456
SUNY- Hospital Medicaid	207	200	200	200	200
Judiciary Funds	131	119	119	121	123
Banking Services	74	55	55	55	55
Financial Management System	5	42	55	55	55
Indigent Legal Services	45	40	40	40	40
Mental Hygiene	0	0	0	317	869
All Other	379	283	270	271	350
Total Disbursements	<u>55,373</u>	<u>56,932</u>	<u>59,930</u>	<u>62,570</u>	<u>65,400</u>
Change in Reserves					
Prior-Year Labor Agreements (2007-11)	(926)	361	91	142	142
Community Projects Fund	0	346	142	142	142
Rainy Day Fund	40	(85)	(51)		
Rainy Day Fund	0	100			
Reserved for Deferred Payments	(906)				
Reserved for Debt Management	(60)				
Budget Surplus/(Gap) Before Actions	<u>0</u>	<u>0</u>	<u>(2,379)</u>	<u>(2,836)</u>	<u>(4,605)</u>

¹ All other includes school aid deferral and local aid spending in a number of other programs, including parks and the environment, economic development, and public safety.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

STATE OPERATING FUNDS PROJECTIONS

STATE OPERATING FUNDS PROJECTIONS (millions of dollars)					
	2010-11	2011-12	2012-13	2013-14	2014-15
Receipts:					
Taxes	59,532	63,615	64,901	68,139	70,093
Personal Income Tax	36,209	39,059	39,210	41,440	43,189
User Taxes and Fees	13,608	14,059	14,510	14,976	15,464
Business Taxes	6,657	7,544	8,024	8,338	7,828
Other Taxes	3,058	2,953	3,157	3,385	3,612
Miscellaneous Receipts/Federal Grants	19,260	19,399	20,126	20,135	19,982
Total Receipts	78,792	83,014	85,027	88,274	90,075
Disbursements:					
Local Assistance Grants	55,295	57,761	59,893	62,387	64,750
School Aid	19,788	19,686	20,250	21,151	22,018
STAR	3,234	3,293	3,322	3,510	3,693
Other Education Aid	1,474	1,744	1,912	2,000	2,067
Higher Education	2,470	2,594	2,715	2,804	2,891
Medicaid (DOH incl. administration)	11,915	15,280	15,894	16,531	17,192
Public Health/Aging	2,015	2,121	2,139	2,174	2,216
Mental Hygiene	3,578	3,601	3,853	4,169	4,370
Social Services	2,869	3,129	3,452	3,722	3,886
Transportation	4,254	4,236	4,325	4,405	4,495
Local Government Assistance	776	767	797	787	787
All Other ¹	2,922	1,310	1,234	1,134	1,135
State Operations	17,387	16,728	17,545	17,708	18,194
Personal Service	12,422	11,677	11,971	12,174	12,468
Non-Personal Service	4,965	5,051	5,574	5,534	5,726
General State Charges	6,102	6,530	7,125	7,644	7,990
Pensions	1,470	1,670	1,857	2,113	2,411
Health Insurance (Active Employees)	1,834	2,144	2,367	2,575	2,592
Health Insurance (Retired Employees)	1,221	1,285	1,418	1,543	1,553
All Other	1,577	1,431	1,483	1,413	1,434
Debt Service	5,615	5,855	6,332	6,498	6,551
Capital Projects	18	5	5	5	5
Total Disbursements	84,417	86,879	90,900	94,242	97,490
Net Other Financing Sources/(Uses)	4,784	4,431	4,091	3,892	3,581
Net Operating Surplus/(Deficit)	(841)	566	(1,782)	(2,076)	(3,834)
Reconciliation to General Fund Gap:					
Designated Fund Balances	841	(566)	(597)	(760)	(771)
General Fund	926	(361)	(91)	(142)	(142)
Special Revenue Funds	(42)	(85)	(404)	(512)	(483)
Debt Service Funds	(43)	(120)	(102)	(106)	(146)
General Fund Budget Gap	0	0	(2,379)	(2,836)	(4,605)

¹ All other includes school aid deferral and local aid spending in a number of other programs, including parks and the environment, economic development, and public safety.

FISCAL YEAR 2012 OVERVIEW

RECEIPTS

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 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.

Tax receipts are expected to grow at an average annual rate of approximately 4.2 percent over the multi-year Financial Plan. The tax forecast reflects the sunset of the PIT surcharge after tax year 2011, and an expected continuation of modest economic growth in the New York State economy.

OVERVIEW OF THE RECEIPTS FORECAST

- During the first calendar quarter of 2011 New York's recovery continued to gather momentum, with employment and wages registering their fourth and fifth consecutive quarters of growth, respectively. As a result of this growth and accompanying changes in consumer spending and corporate profits, receipts are expected to grow for the second consecutive year in FY 2012.
- After declining 12.3 percent in FY 2010, base receipts adjusted for tax law changes, grew by 2.1 percent in FY 2011 and are expected to increase by 7.5 percent in FY 2012.
- Corporate profits are expected to record a second consecutive year of growth in calendar year 2011, albeit at a reduced rate compared to 2010. This is expected to translate into continued growth in business tax receipts in FY 2012.
- Both the PIT settlement for tax year 2010 and first quarter 2011 financial sector bonus payments surpassed expectations (compared to the State's last public Financial Plan) and provide the basis for 2011 PIT liability growth of 7.2 percent. A portion of the PIT settlement appears related to the impact of capital gains realized during late 2010 in anticipation of the end of preferential Federal tax rates. This is likely a one-time benefit to revenue results. These lower rates were ultimately extended, but not until December 7, 2010.
- After a decline of 1.6 percent in FY 2010, consumer spending on taxable goods and services rose 7.5 percent in FY 2011 and is estimated to rise 5.4 percent in FY 2012.
- The volatility in oil prices due to the situation in some oil-exporting countries presents a downside risk to the receipts forecast. The uncertainty surrounding fuel prices over the near-term horizon could result in slower receipts growth than anticipated.
- While receipts growth has improved, results to date reflect growth compared to the weak receipts base of the past three fiscal years.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

The table below summarizes the receipts projections for FY 2012 and FY 2013.

TOTAL RECEIPTS (millions of dollars)							
	2010-11 Results	2011-12 Enacted	Annual \$ Change	Annual % Change	2012-13 Projected	Annual \$ Change	Annual % Change
General Fund	54,448	57,293	2,845	5.2%	57,642	349	0.6%
Taxes	39,205	42,237	3,032	7.7%	43,009	772	1.8%
Miscellaneous Receipts	3,095	3,098	3	0.1%	2,917	(181)	-5.8%
Federal Grants	55	60	5	9.1%	60	0	0.0%
Transfers	12,093	11,898	(195)	-1.6%	11,656	(242)	-2.0%
State Funds	83,981	88,396	4,415	5.3%	90,109	1,713	1.9%
Taxes	60,870	64,976	4,106	6.7%	66,293	1,317	2.0%
Miscellaneous Receipts	22,993	23,275	282	1.2%	23,671	396	1.7%
Federal Grants	118	145	27	22.9%	145	0	0.0%
All Funds	133,322	131,688	(1,634)	-1.2%	129,768	(1,920)	-1.5%
Taxes	60,870	64,976	4,106	6.7%	66,293	1,317	2.0%
Miscellaneous Receipts	23,147	23,407	260	1.1%	23,802	395	1.7%
Federal Grants	49,305	43,305	(6,000)	-12.2%	39,673	(3,632)	-8.4%

Base growth in tax receipts of 7.5 percent is estimated for FY 2012, after adjusting for law changes, and is projected to be 7.2 percent in FY 2013. These projected increases in overall base growth in tax receipts are dependent on many factors, including: continued growth in a broad range of economic activities; improving profitability and compensation gains, particularly among financial services companies; recovery in the overall real estate market, particularly the residential market; and increases in consumer spending as a result of wage and employment gains.

PERSONAL INCOME TAX

PERSONAL INCOME TAX (millions of dollars)							
	2010-11 Results	2011-12 Enacted	Annual \$ Change	Annual % Change	2012-13 Projected	Annual \$ Change	Annual % Change
General Fund¹	23,894	26,001	2,107	8.8%	26,085	84	0.3%
Gross Collections	44,002	46,901	2,899	6.6%	47,417	516	1.1%
Refunds/Offsets	(7,793)	(7,842)	(49)	0.6%	(8,207)	(365)	4.7%
STAR	(3,263)	(3,292)	(29)	0.9%	(3,322)	(30)	0.9%
RBTF	(9,052)	(9,766)	(714)	7.9%	(9,803)	(37)	0.4%
State Funds	36,209	39,059	2,850	7.9%	39,210	151	0.4%
Gross Collections	44,002	46,901	2,899	6.6%	47,417	516	1.1%
Refunds/Offsets	(7,793)	(7,842)	(49)	0.6%	(8,207)	(365)	4.7%

¹ Excludes Transfers.

PIT receipts for FY 2012 are projected to be \$39.1 billion, an increase of \$2.9 billion, or 7.9 percent above FY 2011. This increase reflects stronger growth in extension payments for tax year 2010 (\$1.2 billion), stronger growth in estimated payments for tax year 2011 (\$944 million) and higher FY 2011 refunds caused by the deferral of \$500 million of planned FY 2010 refunds into FY 2011. Withholding, the largest component of PIT is also projected to be 1.8 percent (\$562 million) higher than FY 2011, reflecting a combination of moderate underlying wage growth of 4.0 percent and the expiration of the temporary rate increase at the end of December 2011.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

USER TAXES AND FEES

USER TAXES AND FEES (millions of dollars)							
	2010-11 Results	2011-12 Enacted	Annual \$ Change	Annual % Change	2012-13 Projected	Annual \$ Change	Annual % Change
General Fund^{1,2}	8,795	9,105	310	3.5%	9,382	277	3.0%
Sales Tax	8,085	8,380	295	3.6%	8,626	246	2.9%
Cigarette and Tobacco Taxes	480	492	12	2.5%	518	26	5.3%
Alcoholic Beverage Taxes	230	233	3	1.3%	238	5	2.1%
State Funds	14,205	14,672	467	3.3%	15,129	457	3.1%
Sales Tax	11,538	11,915	377	3.3%	12,272	357	3.0%
Cigarette and Tobacco Taxes	1,616	1,686	70	4.3%	1,772	86	5.1%
Motor Fuel	516	511	(5)	-1.0%	515	4	0.8%
Highway Use Tax	129	144	15	11.6%	144	0	0.0%
Alcoholic Beverage Taxes	230	233	3	1.3%	238	5	2.1%
Taxicab Surcharge	81	81	0	0.0%	81	0	0.0%
Auto Rental Tax	95	102	7	7.4%	107	5	4.9%
¹ Excludes Transfers.							
² Receipts from motor vehicle fees and alcohol beverage control license fees are now reflected under miscellaneous receipts.							

User taxes and fees receipts for FY 2012 are estimated to be \$14.7 billion, an increase of \$467 million or 3.3 percent from FY 2011. Sales tax receipts are expected to increase by \$377 million due to base growth of 5.4 percent (\$543 million) and incremental law changes (\$43 million). This increase is offset in part by the sunset of a provision that temporarily eliminated the exemption on the per-item price of clothing (\$120 million) and other adjustments (\$89 million). The exemption on clothing will be \$55 in FY 2012, increasing to \$110 in FY 2013. Non-sales tax user taxes and fees are estimated to increase by \$90 million from FY 2011, mainly due to the full implementation of the cigarette and tobacco tax rate increases as well as assumed part-year enforcement of provisions enacted in FY 2011. Highway use tax receipts are estimated to increase by \$15 million due to additional enforcement efforts, including carrier decal requirements. User taxes and fees receipts for FY 2013 are projected to be \$15.1 billion, an increase of \$457 million, or 3.1 percent from FY 2012. This increase largely reflects an increase in sales tax receipts (\$357 million) and cigarette tax collections (\$86 million).

General Fund user taxes and fees receipts are expected to total \$9.1 billion in FY 2012, an increase of \$310 million or 3.5 percent from FY 2011. The increase largely reflects an increase in sales tax receipts (\$295 million) and cigarette and tobacco tax collections (\$12 million).

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

BUSINESS TAXES

BUSINESS TAXES (millions of dollars)							
	2010-11 Results	2011-12 Enacted	Annual \$ Change	Annual % Change	2012-13 Projected	Annual \$ Change	Annual % Change
General Fund	5,278	6,101	823	15.6%	6,456	355	5.8%
Corporate Franchise Tax	2,472	3,047	575	23.3%	3,178	131	4.3%
Corporation & Utilities Tax	616	681	65	10.6%	750	69	10.1%
Insurance Tax	1,217	1,266	49	4.0%	1,318	52	4.1%
Bank Tax	973	1,107	134	13.8%	1,210	103	9.3%
State Funds	7,278	8,173	895	12.3%	8,677	504	6.2%
Corporate Franchise Tax	2,846	3,463	617	21.7%	3,698	235	6.8%
Corporation & Utilities Tax	813	892	79	9.7%	964	72	8.1%
Insurance Tax	1,351	1,395	44	3.3%	1,451	56	4.0%
Bank Tax	1,178	1,317	139	11.8%	1,414	97	7.4%
Petroleum Business Tax	1,090	1,106	16	1.5%	1,150	44	4.0%

Business tax receipts for FY 2012 are estimated at \$8.2 billion, an increase of \$895 million, or 12.3 percent from the prior year. The estimates reflect base growth across all taxes from an improving economy as well as an incremental increase of \$323 million from the deferral of certain tax credits that was part of the FY 2011 Enacted Budget. Adjusted for this deferral, growth is 7.8 percent.

The annual increase in the corporate franchise tax of \$617 million is attributable to the incremental increase of \$323 million from the tax credit deferral as well as continued growth in corporate profits. Corporate profits are expected to grow 7.0 percent in calendar year 2011. Higher audit receipts and lower refunds also contribute to growth in FY 2012. Corporate franchise tax growth adjusted for the credit deferral is 10.3 percent for FY 2012. Both the corporation and utilities tax and the insurance tax are expected to return to trend growth in FY 2012 after declines of 14.7 percent and 9.4 percent, respectively, in FY 2011. The economic downturn and several unusual items in the corporation and utilities tax in FY 2011 (e.g. a Tax Tribunal decision that resulted in a FY 2011 refund of \$37 million) contributed to the year-over-year decline in these two taxes. The bank tax is estimated to grow 11.8 percent in FY 2012, consistent with the expected improvement in economic conditions and the credit markets.

Business tax receipts for FY 2013 of \$8.7 billion are projected to increase \$504 million, or 6.2 percent over the prior year reflecting growth across all business taxes.

General Fund business tax receipts for FY 2012 of \$6.1 billion are estimated to increase by \$823 million, or 15.6 percent above FY 2011 results. Business tax receipts deposited to the General Fund reflect the All Funds trends, and policy changes discussed above. General Fund business tax receipts for FY 2013 of \$6.5 billion are projected to increase \$355 million, or 5.8 percent from the prior year.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

OTHER TAXES

OTHER TAXES (millions of dollars)							
	2010-11 Results	2011-12 Enacted	Annual \$ Change	Annual % Change	2012-13 Projected	Annual \$ Change	Annual % Change
General Fund¹	1,237	1,030	(207)	-16.7%	1,085	55	5.3%
Estate Tax	1,218	1,015	(203)	-16.7%	1,070	55	5.4%
Gift Tax	1	0	(1)	-100.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0.0%
Pari-Mutuel Taxes	17	14	(3)	-17.6%	14	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State Funds	1,817	1,650	(167)	-9.2%	1,775	125	7.6%
Estate Tax	1,218	1,015	(203)	-16.7%	1,070	55	5.4%
Gift Tax	1	0	(1)	-100.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0.0%
Real Estate Transfer Tax	580	620	40	6.9%	690	70	11.3%
Pari-Mutuel Taxes	17	14	(3)	-17.6%	14	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

¹ Excludes Transfers.

Other tax receipts for FY 2012 are estimated to be \$1.7 billion, a decrease of \$167 million or 9.2 percent from FY 2011. This reflects a decline of \$203 million (16.7 percent) in estate tax receipts and \$3 million (17.6 percent) in the pari-mutuel tax as a result of atypically large estate payments in FY 2011 and the closure of NYC Off Track Betting in December 2010, respectively. This decline is partially offset by growth of \$40 million (6.9 percent) in the real estate transfer tax as a result of strong commercial activity and improving vacancy rates in New York City. Other tax receipts for FY 2013 are projected to be nearly \$1.8 billion, an increase of \$125 million or 7.6 percent from FY 2012. This reflects modest growth in the real estate transfer tax and estate tax receipts.

Other tax receipts in the General Fund are expected to be \$1.0 billion in FY 2012, a decrease of \$207 million or 16.7 percent from FY 2011. This reflects the declines in the estate tax and pari-mutuel taxes noted above. In FY 2013, other tax receipts in the General Fund are expected to total approximately \$1.1 billion. This reflects an increase of \$55 million in estate tax receipts due to a forecast increase in household net worth.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars)							
	2010-11 Results	2011-12 Enacted	Annual \$ Change	Annual % Change	2012-13 Projected	Annual \$ Change	Annual % Change
General Fund	3,150	3,158	8	0.3%	2,977	(181)	-5.7%
Miscellaneous Receipts ¹	3,095	3,098	3	0.1%	2,917	(181)	-5.8%
Federal Grants	55	60	5	9.1%	60	0	0.0%
State Funds	23,111	23,420	309	1.3%	23,816	396	1.7%
Miscellaneous Receipts ¹	22,993	23,275	282	1.2%	23,671	396	1.7%
Federal Grants	118	145	27	22.9%	145	0	0.0%
All Funds	72,452	66,712	(5,740)	-7.9%	63,475	(3,237)	-4.9%
Miscellaneous Receipts ¹	23,147	23,407	260	1.1%	23,802	395	1.7%
Federal Grants	49,305	43,305	(6,000)	-12.2%	39,673	(3,632)	-8.4%

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

Miscellaneous receipts include monies received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are projected to total \$23.4 billion in FY 2012, an increase of \$260 million from FY 2011, largely driven by growth in SUNY Income Fund revenues (\$375 million), which includes the anticipated acquisition of LICH and the incorporation of its financial activities within SUNY, partially offset by the decline or non-recurrence in other sources of miscellaneous receipts.

All Funds miscellaneous receipts are projected to increase by \$395 million in FY 2013 driven by increases in HCRA resources (\$544 million), SUNY Income Fund revenues (\$238 million) and lottery receipts (\$169 million), partially offset by a projected decline in programs financed with authority bond proceeds, including economic development and health projects (\$331 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 plans for Federal reimbursement to be received in the State fiscal year in which spending occurs. All Funds Federal grants are projected to total \$43.3 billion in FY 2012, a decline of \$6.0 billion from FY 2011, reflecting the phase-out of extraordinary Federal stimulus aid, including enhanced FMAP. The expiration of Federal ARRA aid is the primary contributor to the All Funds Federal grant decline of \$3.6 billion in FY 2013.

General Fund miscellaneous receipts and Federal grants collections are estimated to be nearly \$3.2 billion in FY 2012, on par with FY 2011 results.

General Fund miscellaneous receipts for FY 2013 are projected to decline by \$181 million from the current year, and primarily reflect the loss of certain one-time sweeps and payments expected in FY 2012.

DISBURSEMENTS

General Fund disbursements in FY 2012 are estimated to total \$56.9 billion, an increase of \$1.6 billion (2.8 percent) over preliminary FY 2011 results. With State Operating Funds disbursements for FY 2012 are estimated to total \$86.9 billion, an increase of \$2.5 billion (2.9 percent) over preliminary FY 2011 results.

The multi-year disbursement projections take into account 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 and projected economic conditions. Projections account for the timing of payments, since not all of the amounts appropriated in the Budget are disbursed in the same fiscal year. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agencies) in special revenue funds have been adjusted downward in all fiscal years based on typical spending patterns and the observed variance between estimated and actual results over time.

Over the multi-year Financial Plan, spending is expected to increase by an average annual rate of 4.3 percent in the General Fund and 3.7 percent in State Operating Funds. The projections reflect spending at the target growth rates for Medicaid and School Aid, and include a preliminary estimate of the effect of national health care reform on State health care costs. The growth in spending projections reflect an expected return to a lower Federal matching rate for Medicaid expenditures after June 30, 2011, which will increase the share of Medicaid costs that must be financed by State resources, and the expected loss of temporary Federal aid for education.

Medicaid, education, pension costs, employee and retiree health benefits, social services programs and debt service are significant drivers of spending growth over the Plan period.

Selected assumptions used by DOB in preparing the spending projections for the State's major programs and activities are summarized in the following tables.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES					
	Results	Forecast ²			
	2010-11	2011-12	2012-13	2013-14	2014-15
Medicaid					
Medicaid Coverage	4,437,840	4,667,275	4,939,712	5,238,126	5,558,859
Family Health Plus Coverage	400,534	412,958	428,096	443,235	458,374
Child Health Plus Coverage	402,892	420,892	438,892	456,892	474,892
State Takeover of County/NYC Costs (\$ millions) ¹	<u>\$1,839</u>	<u>\$2,386</u>	<u>\$2,930</u>	<u>\$3,513</u>	<u>\$4,186</u>
- Family Health Plus	\$403	\$441	\$481	\$525	\$573
- Medicaid	\$1,436	\$1,945	\$2,449	\$2,988	\$3,613
Education					
School Aid (School Year) (\$000)	\$20,924	\$19,641	\$20,446	\$21,386	\$22,220
Personal Income Growth Index	N/A	N/A	4.1%	4.6%	3.9%
Higher Education					
Public Higher Education Enrollment (FTEs)	574,350	585,837	585,837	591,695	597,612
Tuition Assistance Program Recipients	325,870	329,177	332,011	331,659	331,659
Welfare					
Family Assistance Caseload	374,338	368,666	364,255	360,860	357,728
Single Adult/No Children Caseload	164,832	163,057	160,692	158,866	157,438
Mental Hygiene					
Total: Mental Hygiene Community Beds	<u>86,017</u>	<u>91,361</u>	<u>95,064</u>	<u>96,959</u>	<u>97,837</u>
- OMH Community Beds	34,832	39,399	42,235	43,251	43,371
- OPWDD Community Beds	38,408	39,101	39,857	40,640	41,313
- OASAS Community Beds	12,777	12,861	12,972	13,068	13,153
Prison Population (Corrections)	56,144	56,300	56,300	56,300	56,300
1 Does not reflect 2010-11 results.					
2 Projected by DOB.					

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS					
	Results	Forecast ²			
	2010-11	2011-12	2012-13	2013-14	2014-15
ERS Pension Contribution Rate: ³					
Before Amortization	12.1%	16.7%	18.0%	20.0%	20.9%
After Amortization	9.5%	10.5%	11.5%	12.5%	13.5%
PFRS Pension Contribution Rate:					
Before Amortization	18.3%	22.1%	24.2%	26.4%	27.1%
After Amortization	17.5%	18.5%	19.5%	20.5%	21.5%
Employee/Retiree Health Insurance Growth Rates	13.3%	11.4%	8.5%	8.5%	8.5%
PS/Fringe as % of Receipts (All Funds Basis)	14.9%	14.8%	15.8%	15.7%	15.4%
1 As percent of salary.					
2 Projected by DOB.					

LOCAL ASSISTANCE GRANTS

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. State-funded local assistance spending is estimated at \$57.8 billion in FY 2012 and accounts for over 65 percent of total State Operating Funds spending. Education and health care spending account for three-quarters of local assistance spending.

EDUCATION

SCHOOL AID

School Aid helps support elementary and secondary education for New York pupils enrolled in 676 major school districts throughout the State. State funding is provided to districts based on statutory aid formulas and through reimbursement of categorical expenses. This funding for schools assists districts in meeting locally defined needs, supports the construction of school facilities, and finances school transportation for nearly three million students statewide.

School Year (July 1 — June 30)

The FY 2012 Enacted Budget provides \$19.6 billion in School Aid for the FY 2012 school year, which results in an annual State aid reduction of nearly \$1.3 billion, or 6.1 percent. Total school spending is primarily financed through a combination of State and local funding and thus, the reduction in State aid represents 2.4 percent of total general fund operating expenditures projected to be made by school districts statewide in the current (FY 2011) school year. Without consideration of Federal Education Jobs Fund allocations made available to school districts in FY 2011, the year-to-year reduction in School Aid is \$675 million or 3.3 percent. This amount represents 1.3 percent of total expenditures by school districts.

The Enacted Budget also includes a two-year appropriation and makes statutory changes to limit future School Aid increases to the rate of growth in New York state personal income. This allowable growth includes spending for new competitive grant programs to reward school districts that demonstrate significant student performance improvements or that undertake long-term structural changes to reduce costs and improve efficiency. Allowable growth also includes increases in expense-based aid programs (e.g., Building Aid, Transportation Aid) under existing statutory provisions. Any remaining amount of allowable growth can be allocated pursuant to a chapter of law for purposes including, but not limited to, additional spending for competitive grants, increases in Foundation Aid or restoration of the Gap Elimination Adjustment.

Under this growth cap, School Aid is projected to increase by an additional \$805 million in FY 2013, and \$940 million in FY 2014. School Aid is projected to reach an annual total of \$22.2 billion in FY 2015.

FOUR-YEAR SCHOOL AID PROJECTION - SCHOOL YEAR BASIS									
(millions of dollars)									
	2010-11	2011-12	Annual \$ Change	2012-13	Annual \$ Change	2013-14	Annual \$ Change	2014-15	Annual \$ Change
Total School Aid	20,924	19,641	(1,283)	20,446	805	21,386	940	22,220	834
Percent Change			-6.1%		4.1%		4.6%		3.9%

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

State Fiscal Year

The State finances School Aid from General Fund revenues and from Lottery Fund receipts, including VLTs, which are accounted for and disbursed from a dedicated revenue account. Because the State fiscal year begins on April 1, the State typically pays approximately 70 percent of the annual school year commitment during the State fiscal year in which it is enacted, and pays the remaining 30 percent in the first three months of the following State fiscal year.

The table below summarizes the multi-year projected funding levels for School Aid on a State fiscal year basis. The total for FY 2011 is restated to exclude a \$2.0 billion aid payment that was deferred from FY 2010.

SCHOOL AID - FISCAL YEAR BASIS (ADJUSTED)									
STATE OPERATING FUNDS									
(millions of dollars)									
	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Total State Funds	19,788	19,686	-1%	20,250	3%	21,151	4%	22,018	4%
General Fund Local Assistance ¹	16,645	16,802	1%	17,197	2%	18,029	5%	18,876	5%
Core Lottery Aid	2,108	2,200	4%	2,217	1%	2,224	0%	2,234	0%
VLT Lottery Aid	912	684	-25%	836	22%	898	7%	908	1%
General Fund Lottery Aid Guarantee	123	0	-100%	0	0%	0	0%	0	0%

¹ General Fund spending in FY 2011 is adjusted to exclude a \$2.06B school aid payment deferred from FY 2010.

State spending for School Aid is projected to total \$19.7 billion in FY 2012. In future years, receipts available to finance School Aid from lottery sales are expected to increase nominally. Increasing receipts from VLTs in FY 2013 and FY 2014 reflect the anticipated opening of a VLT facility at Aqueduct Racetrack by October 2011. In addition to State aid, school districts receive billions of dollars in Federal categorical aid.

SCHOOL TAX RELIEF PROGRAM

The STAR program provides school tax relief to taxpayers. The three components of STAR and their approximate shares in FY 2012 are: the basic school property tax exemption for homeowners with income under \$500,000 (59 percent), the enhanced school property tax exemption for senior citizen homeowners with income under \$79,050 (24 percent), and a flat refundable credit and rate reduction for New York City resident personal income taxpayers (17 percent).

STAR									
STATE OPERATING FUNDS SPENDING PROJECTIONS									
(millions of dollars)									
	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
STAR	3,234	3,293	2%	3,322	1%	3,510	6%	3,693	5%
Basic Exemption	1,875	1,933	3%	1,937	0%	2,046	6%	2,162	6%
Enhanced (Seniors)	760	790	4%	792	0%	836	6%	883	6%
New York City PIT	599	570	-5%	593	4%	628	6%	648	3%

The STAR program exempts the first \$30,000 of every eligible homeowner's property value from the local school tax levy. Lower-income senior citizens receive a \$60,100 exemption. Spending for the STAR property tax exemption reflects reimbursements made to school districts to offset the reduction in property tax revenues.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

The Enacted Budget Financial Plan limits the overall annual increase in a qualifying homeowner's STAR exemption benefit to 2 percent. The multi-year Financial Plan also reflects annual savings from the implementation of an income limitation on STAR benefits, which excludes all homeowners who earn more than \$500,000 a year from receiving the STAR property tax exemption, and reduces the benefit for New York City resident personal income taxpayers with annual income over \$500,000.

OTHER EDUCATION AID

In addition to School Aid, the State provides funding and support for various other education-related initiatives. These include: special education services; prekindergarten through grade 12 education programs; cultural education; higher and professional education programs; and adult career and continuing education services.

Major programs under the Office of Prekindergarten through Grade 12 Education address specialized student needs or reimburse school districts for education-related services, including the school breakfast and lunch programs, non-public school aid, and various special education programs. In special education, New York provides a full spectrum of services to over 400,000 students from ages 3 to 21. Higher and professional education programs monitor the quality and availability of postsecondary education programs and regulate the licensing and oversight of 48 professions.

EDUCATION STATE OPERATING FUNDS SPENDING PROJECTIONS (millions of dollars)									
	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Special Education	924	1,197	30%	1,373	15%	1,456	6%	1,529	5%
Pre-School Special Education	939	870	-7%	922	6%	978	6%	1,036	6%
ARRA Fiscal Stabilization	(327)	0	-100%	0	0%	0	0%	0	0%
Summer School Programs	208	292	40%	322	10%	343	7%	352	3%
Blind and Deaf	104	35	-66%	129	269%	135	5%	141	4%
All Other Education	550	547	-1%	539	-1%	544	1%	538	-1%
Higher Education Programs	100	86	-14%	86	0%	86	0%	86	0%
Non-Public School Aid	112	107	-4%	104	-3%	104	0%	104	0%
Cultural Education Programs	92	93	1%	93	0%	93	0%	93	0%
Vocational Rehabilitation	91	82	-10%	82	0%	82	0%	82	0%
School Nutrition	35	36	3%	37	3%	37	0%	38	3%
Other Education Programs	120	143	19%	137	-4%	142	4%	135	-5%

Spending for special education is expected to increase as program costs and enrollment rise. Other education spending is affected by the phase-out of Federal ARRA Stabilization Funds. In FY 2012, school districts will finance the costs associated with schools for the blind and deaf in the first instance and will be partially reimbursed by the State in the first quarter of the FY 2013 State fiscal year, which drives a significant annual increase in FY 2013 spending.

HIGHER EDUCATION

Local assistance for higher education spending includes funding for CUNY, SUNY and HESC. The State provides assistance for CUNY's senior college operations, and works in conjunction with the City of New York to support CUNY's community colleges. The CUNY system is the largest urban public university system in the nation. Funding for SUNY supports 30 community colleges across multiple campuses.

The State also provides a sizeable benefit to SUNY and CUNY through the debt service it pays on bond-financed capital projects at the universities. This is not reflected in the annual spending totals for the universities. State debt service payments for higher education are expected to total over \$1 billion in FY 2012.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

HESC administers the TAP program that provides awards to income-eligible students, and the New York Higher Education Loan Program (NYHELPS). It also provides centralized processing for other student financial aid programs, and offers prospective students information and guidance on how to finance a college education. The financial aid programs that HESC administers are funded by the State and the Federal government.

HIGHER EDUCATION STATE OPERATING FUNDS LOCAL ASSISTANCE SPENDING PROJECTIONS (millions of dollars)									
	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
City University:	1,183	1,205	2%	1,299	8%	1,389	7%	1,477	6%
Community College Aid	187	178	-5%	179	1%	179	0%	179	0%
ARRA Fiscal Stabilization	(32)	0	-100%	0	0%	0	0%	0	0%
Operating Aid to NYC (Senior Colleques) ¹	1,028	1,025	0%	1,118	9%	1,208	8%	1,296	7%
Community Projects	0	2	0%	2	0%	2	0%	2	0%
Higher Education Services:	814	906	11%	967	7%	966	0%	965	0%
Tuition Assistance Program	801	831	4%	911	10%	910	0%	909	0%
ARRA Fiscal Stabilization	(50)	0	-100%	0	0%	0	0%	0	0%
Aid for Part Time Study	11	12	9%	12	0%	12	0%	12	0%
Scholarships/Awards	29	47	62%	44	-6%	44	0%	44	0%
Other	23	16	-30%	0	-100%	0	0%	0	0%
State University:	473	483	2%	449	-7%	449	0%	449	0%
Community College Aid	451	441	-2%	439	0%	439	0%	439	0%
ARRA Fiscal Stabilization	(83)	0	-100%	0	0%	0	0%	0	0%
Hospital Subsidy ²	96	32	-67%	0	-100%	0	0%	0	0%
Other	9	10	11%	10	0%	10	0%	10	0%

¹State support for SUNY 4-year institutions is funded through State operations rather than local assistance.

²Beginning in academic year 2011-12, the SUNY hospital subsidy will be funded as a transfer from General Fund State operations rather than local assistance.

Growth in spending for higher education over the plan period largely reflects aid to New York City for reimbursement of CUNY senior college operating expenses associated with the rising contribution rates for fringe benefits. Spending growth for tuition assistance reflects the impact of upward trends in student enrollment at institutions of higher education.

HEALTH CARE

Local assistance for health care-related spending includes Medicaid, statewide public health programs and a variety of mental hygiene programs. DOH works with the local health departments and social services departments, including New York City, to coordinate and administer statewide health insurance programs and activities. The majority of government-financed health care programs are included under DOH, but many programs are supported through multi-agency efforts. The Medicaid program finances inpatient hospital care, outpatient hospital services, clinics, nursing homes, managed care, prescription drugs, home care, family health plus (FHP), and services provided in a variety of community-based settings (including mental health, substance abuse treatment, developmental disabilities services, school-based services and foster care services). The State share of Medicaid spending is budgeted and expended principally through DOH, but State share Medicaid spending also appears in the mental hygiene agencies, child welfare programs, and School Aid. Medicaid spending is reported separately in the Financial Plan tables for each of the agencies.

In addition, health care-related spending appears in State Operations and GSCs for purposes such as health insurance premiums for State employees and retirees, services delivered to inmates, and services provided in State-operated facilities.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

MEDICAID

Medicaid is a means-tested program that finances health care services for low-income individuals and long-term care services for the elderly and disabled, primarily through payments to health care providers. The Medicaid program is financed jointly by the State, the Federal government, and local governments (including New York City). New York's Medicaid spending is projected to total approximately \$52.6 billion in FY 2012, including the local contribution.⁵

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS ¹ (millions of dollars)					
	2010-11	2011-12	2012-13	2013-14	2014-15
Department of Health	11,915	15,280	15,894	16,531	17,192
State Share Without FMAP	15,863	15,633	15,640	16,531	17,192
Enhanced FMAP	(3,948)	(353)	254	0	0
Mental Hygiene	5,677	5,752	5,979	6,297	6,568
Education	29	0	0	0	0
Foster Care	69	111	121	132	138
State Operations - Contractual Expenses ²	23	46	46	46	46
State Share Total	17,713	21,189	22,040	23,006	23,944
Annual \$ Change - Total State Share		3,476	851	966	938
Annual % Change - Total State Share		19.6%	4.0%	4.4%	4.1%
Annual \$ Change - DOH Only		3,365	614	637	661
Annual % Change - DOH Only		28.2%	4.0%	4.0%	4.0%
¹ To conform the Financial Plan classification of State Operating Funds spending to the classification followed by the State Comptroller, approximately \$3 billion in Medicaid spending supported by a transfer from Federal Funds to the State Mental Hygiene Patient Income Account is now classified as State spending.					
² Includes operational costs that support contracts related to the management of the Medicaid program and various activities to ensure appropriate utilization.					

The Financial Plan projections assume that spending growth is limited to 4 percent annually for DOH State Medicaid spending beginning annually in State FY 2013. This reflects the target growth rate for Medicaid proposed in the Enacted Budget, which is the ten-year average change in the medical component of the CPI. Statutory changes adopted with the budget grant the Executive certain statutory powers to hold Medicaid spending to this rate. This statutory authority expires after two years; however, the cap remains in place and the Financial Plan assumes that statutory authority will be extended in subsequent years.

DOH Medicaid growth over the plan period is affected by estimates of increasing Medicaid enrollment, rising costs of provider health care services (particularly in managed care), and higher levels of utilization, as well as the expiration of enhanced levels of Federal aid.⁶ The number of Medicaid recipients, including FHP, is expected to exceed 6.0 million at the end of FY 2015, an increase of 24.4 percent from the FY 2011 caseload of 4.8 million. The expiration of the enhanced FMAP is expected to result in an increase of State-share spending of over \$600 million from FY 2012 to FY 2013, primarily due to the reconciliation of costs between the State and counties related to the Medicaid cap.

⁵ The local contribution to the Medicaid program is not included in the State's Financial Plan. Since January 2006, the State has paid the entire non-Federal share of the FHP program and any annual Medicaid increases above a fixed level for counties. In accordance with these statutory indexing provisions, local fiscal year 2011 Medicaid payments by local governments will be held to approximately 3.0 percent over local fiscal year 2010 levels. County and New York City savings from these two local fiscal relief initiatives are expected to total approximately \$2.4 billion during State FY 2012, an annual increase in local savings of \$547 million over State FY 2011 levels.

⁶ In August 2010, the U.S. Congress approved a six-month extension of the enhanced FMAP benefit through June 30, 2011. Under enhanced FMAP (which now covers the period from October 2008 through June 30, 2011), the base Federal match rate increases from 50 percent to approximately 57 percent during the period April through June 2011, which results in a concomitant decrease in the State and local share.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

The table below summarizes the benefit of enhanced FMAP since it began in 2008-09.

DOH MEDICAID SPENDING - STATE OPERATING FUNDS WITH AND WITHOUT FMAP IMPACT ¹					
TOTAL DISBURSEMENTS					
(millions of dollars)					
	2008-09	2009-10	2010-11	2011-12	2012-13
DOH Medicaid - Without FMAP	12,668	14,523	15,887	15,680	15,686
Enhanced FMAP	(1,092)	(3,041)	(3,948)	(353)	254
DOH Medicaid - With FMAP	11,576	11,482	11,939	15,327	15,940

¹ Additional Federal aid from enhanced FMAP in mental hygiene agencies brings the total cumulative State benefit to \$9.6 billion.

The State share of DOH Medicaid spending is funded from the General Fund, HCRA, provider assessment revenue, and indigent care revenue. The chart below provides information on the financing sources for State Medicaid spending.

MAJOR SOURCES OF ANNUAL CHANGE IN MEDICAID (DOH ONLY) -- LOCAL ASSISTANCE								
(millions of dollars)								
	2011-12	2012-13	Annual \$ Change	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
State Operating Funds (Before FMAP)¹	15,633	15,640	7	0.0%	16,531	5.7%	17,192	4.0%
Enhanced FMAP -- State Share²	(353)	254	607	-172.0%	0	-100.0%	0	0.0%
State Operating Funds (After FMAP)	15,280	15,894	614	4.0%	16,531	4.0%	17,192	4.0%
Other State Funds Support	(5,044)	(5,438)	(394)	7.8%	(5,522)	1.5%	(5,734)	3.8%
HCRA Financing	(3,383)	(3,815)	(432)	12.8%	(3,907)	2.4%	(4,119)	5.4%
Provider Assessment Revenue	(869)	(831)	38	-4.4%	(823)	-1.0%	(823)	0.0%
Indigent Care Revenue	(792)	(792)	0	0.0%	(792)	0.0%	(792)	0.0%
Total General Fund	10,236	10,456	220	2.1%	11,009	5.3%	11,458	4.1%

¹ Does not include Medicaid spending in other State agencies, DOH State operations spending, or the local government share of total Medicaid program spending.

² Excludes benefits in other State agencies. Costs in 2012-13 reflect the reconciliation of the local share benefit for 2011-12 that will occur in 2012-13.

PUBLIC HEALTH/AGING PROGRAMS

Public Health includes the EPIC Program that provides prescription drug insurance to low-income seniors, the child health plus (CHP) program that finances health insurance coverage for children of low-income families up to the age of 19, GPHW program that reimburses local health departments for the cost of providing certain public health services, the Early Intervention (EI) Program that pays for services to infants and toddlers under the age of three with disabilities or developmental delays, and other HCRA and State-supported programs.

The New York State Office for the Aging (SOFA) promotes and administers programs and services for New Yorkers 60 years of age and older. SOFA primarily oversees community-based services, including, but not limited to, in-home services and nutrition assistance, which are provided through a network of county Area Aging Agencies and local providers.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

Many public health programs, such as EI and GPHW programs, are run by county health departments and reimbursed by the State for a share of program costs. The State spending projections do not include the county share of public health funding. In addition, a significant portion of HCRA spending is included under the public health budget. For more information on HCRA projections, see the section entitled “HCRA” below.

PUBLIC HEALTH STATE OPERATING FUNDS SPENDING PROJECTIONS (millions of dollars)									
	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Public Health	1,898	2,011	6%	2,027	1%	2,062	2%	2,104	2%
General Public Health Works	201	319	59%	322	1%	308	-4%	308	0%
Early Intervention	230	167	-27%	165	-1%	169	2%	173	2%
Child Health Plus	341	325	-5%	346	6%	371	7%	397	7%
EPIC	322	232	-28%	166	-28%	174	5%	182	5%
HCRA Program Account	304	498	64%	473	-5%	486	3%	488	0%
All Other	500	470	-6%	555	18%	554	0%	556	0%
Aging	117	110	-6%	112	2%	112	0%	112	0%

Year-to-year growth in the GPHW program reflects lower spending in FY 2011 due to delays in planned payments instituted by the DOH that are not expected to continue. A projected increase in enrollment in the CHP program and inflationary costs are expected to drive growth in the outyears of the plan. Growth in the GPHW and CHP programs is partly offset by a decline in spending for the EI program, which primarily reflects the impact of savings actions implemented in prior year enacted budgets.

EPIC spending is projected to decline through FY 2013, resulting from budgetary actions to provide EPIC coverage to Medicare Part D enrollees only when they are in the coverage gap. After FY 2013, spending is projected to increase slightly as a reflection of the rising costs of prescription medication.

HCRA

HCRA was established in 1996 to help finance a portion of State health care activities in various areas of the budget: Medicaid, Public Health, SOFA, and the Insurance Department. Extensions and modifications to HCRA have financed new health care programs, including FHP, and provided additional funding for the expansion of existing programs such as CHP. HCRA has also provided additional financing for the health care industry, including investments in worker recruitment and retention, and the Health Care Equity and Affordability Law for New Yorkers (HEAL NY) capital program. The FY 2012 Enacted Budget extends the HCRA authorization three years to March 31, 2014.

HCRA receipts include surcharges and assessments on hospital revenues, a “covered lives” assessment paid by insurance carriers, a portion of cigarette tax revenues, and other revenues dedicated by statute, as well as potential future proceeds from insurance company conversions.

HCRA spending partially finances Medicaid, EPIC, CHP, FHP, and Indigent Care payments, which provide funds to hospitals that serve a disproportionate share of individuals without health insurance; as well as funds Workforce Recruitment and Retention grants and rate adjustments to health facilities; physician excess medical malpractice; and, HEAL NY funds for capital improvement to health care facilities.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

HCRA FINANCIAL PLAN 2010-11 THROUGH 2014-15					
(millions of dollars)					
	2010-11	2011-12	2012-13	2013-14	2014-15
	Results	Enacted	Projected	Projected	Projected
Opening Balance	26	159	0	0	0
Total Receipts	<u>5,286</u>	<u>5,482</u>	<u>6,086</u>	<u>6,220</u>	<u>6,317</u>
Surcharges	2,743	2,810	3,089	3,173	3,266
Covered Lives Assessment	1,021	1,050	1,045	1,045	1,045
Cigarette Tax Revenue	1,136	1,194	1,254	1,232	1,210
Conversion Proceeds	0	0	250	300	300
Hospital Assessment (1 percent)	317	373	394	417	444
NYC Cigarette Tax Transfer/Other	69	55	54	53	52
Total Disbursements	<u>5,153</u>	<u>5,641</u>	<u>6,086</u>	<u>6,220</u>	<u>6,317</u>
Medicaid Assistance Account	<u>2,843</u>	<u>3,390</u>	<u>3,822</u>	<u>3,914</u>	<u>4,127</u>
<i>Medicaid Costs</i>	1,600	2,091	2,500	2,593	2,805
<i>Family Health Plus</i>	597	635	657	657	657
<i>Workforce Recruitment & Retention</i>	196	197	197	197	197
<i>All Other</i>	450	467	468	467	468
HCRA Program Account	326	522	496	509	511
Hospital Indigent Care	871	792	792	792	792
Elderly Pharmaceutical Insurance Coverage	195	165	166	174	182
Child Health Plus	348	332	354	379	405
Public Health Programs	111	120	120	120	120
All Other	459	320	336	332	180
Annual Operating Surplus/(Deficit)	133	(159)	0	0	0
Closing Balance	159	0	0	0	0

HCRA is expected to remain in balance over the multi-year projection period. Given the close relationship between the General Fund and HCRA, any balances in HCRA are typically eliminated by adjusting the level of Medicaid expenditures that HCRA finances. This reduces costs that otherwise would have been paid for by the General Fund. Conversely, any shortfall in HCRA is expected to be financed by the General Fund.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

MENTAL HYGIENE

The Department of Mental Hygiene is comprised of four independent agencies, OMH, OPWDD, OASAS, and the Developmental Disabilities Planning Council (DDPC) as well as one oversight agency, the Commission on Quality Care and Advocacy for Persons with Disabilities (CQCAPD). Services are administered to adults with serious and persistent mental illness; children with serious emotional disturbances; individuals with developmental disabilities, and their families; and persons with chemical dependence. These agencies provide services directly to their patients through State-operated facilities and indirectly through community service providers. The cost of providing services and agency operations are funded by reimbursement from Medicaid, Medicare, third-party insurance, and State funding. Patient care revenues are pledged first to the payment of debt service on outstanding mental hygiene bonds, with the remaining revenue deposited to the Patient Income Account, which supports State costs of providing services.

MENTAL HYGIENE STATE OPERATING FUNDS SPENDING PROJECTIONS (millions of dollars)									
	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Office for People with Devel. Disabilities:	2,175	2,158	-1%	2,271	5%	2,466	9%	2,577	5%
Residential Services	1,537	1,496	-3%	1,578	5%	1,717	9%	1,797	5%
Day Programs	555	581	5%	607	5%	655	8%	681	4%
Clinic	22	22	0%	23	6%	25	9%	27	8%
Other	61	59	-3%	63	6%	69	9%	72	5%
CQCAPD	1	1	0%	1	0%	1	0%	1	0%
Mental Health:	1,106	1,126	2%	1,247	11%	1,350	8%	1,441	7%
Adult Local Services	885	901	2%	998	11%	1,080	8%	1,153	7%
OMH Children Local Services	221	225	2%	249	11%	270	8%	288	7%
Alcohol and Substance Abuse:	295	316	7%	334	6%	351	5%	351	0%
Prevention	37	40	8%	42	5%	44	5%	44	0%
Program Support	9	10	11%	10	0%	11	10%	11	0%
Residential	96	103	7%	109	6%	114	5%	114	0%
Outpatient/Methadone	142	152	7%	161	6%	169	5%	169	0%
Crisis	11	11	0%	12	9%	13	8%	13	0%

Local assistance spending in mental hygiene accounts for approximately half of total mental hygiene State spending and is projected to grow by an average rate of 5.2 percent over the plan. This growth is attributable to increases in the projected State share of Medicaid costs and projected expansion of the various mental hygiene service systems, including: increases primarily associated with the OPWDD New York State - Creating Alternatives in Residential Environments and Services (NYS-CARES) program; the New York/New York III Supportive Housing agreement and community beds that are currently under development in the OMH pipeline, as well as funds for additional supported housing beds and associated support services for individuals leaving certain New York city adult homes, pursuant to a Federal district court order; and several chemical dependence treatment and prevention initiatives in OASAS.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

SOCIAL SERVICES

OTDA local assistance programs provide cash benefits and supportive services to low-income families. The State's three main programs include Family Assistance, Safety Net Assistance and Supplemental Security Income (SSI). The Family Assistance program, which is financed by the Federal government, provides time-limited cash assistance to eligible families. The Safety Net Assistance program, financed by the State and local districts, provides cash assistance for single adults, childless couples, and families that have exhausted their five-year limit on Family Assistance imposed by Federal law. The State SSI Supplementation program provides a supplement to the Federal SSI benefit for the elderly, visually handicapped, and disabled.

TEMPORARY AND DISABILITY ASSISTANCE STATE OPERATING FUNDS SPENDING PROJECTIONS (millions of dollars)									
	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Temporary and Disability Assistance	1,202	1,412	17%	1,549	10%	1,599	3%	1,612	1%
Public Assistance Benefits	309	485	57%	622	28%	658	6%	658	0%
SSI	722	740	2%	753	2%	766	2%	779	2%
Welfare Initiatives	13	23	77%	7	-70%	7	0%	7	0%
All Other	158	164	4%	167	2%	168	1%	168	0%

The State share of OTDA spending is expected to grow primarily due to the loss of Federal TANF Contingency Funds, resulting in costs reverting back to State funding. The average public assistance caseload is projected to total 531,723 recipients in FY 2012, a decrease of 1.4 percent from FY 2011 levels. Approximately 252,353 families are expected to receive benefits through the Family Assistance program, a decrease of 1.3 percent from the current year. In the Safety Net program, an average of 116,313 families are expected to be helped in FY 2012, a decrease of 2.1 percent. The caseload for single adults/childless couples supported through the Safety Net program is projected at 163,057, a decrease of 1.1 percent. Despite the decreases in projected caseload, the State share of public assistance benefits increases in FY 2012 due to the loss of Federal funding described above.

OCFS provides funding for foster care, adoption, child protective services, preventive services, delinquency prevention, and child care. OCFS oversees the State's system of family support and child welfare services administered by local departments of social services and community-based organizations. Specifically, child welfare services, which are financed jointly by the Federal government, the State, and local districts, are structured to encourage local governments to invest in preventive services to reduce out-of-home placement of children. In addition, the Child Care Block Grant, which is also financed by a combination of Federal, State and local sources, supports child care subsidies for public assistance and low-income families. The youth facilities program serves youth directed by family or criminal courts to be placed in residential facilities.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

CHILDREN AND FAMILY SERVICES STATE OPERATING FUNDS SPENDING PROJECTIONS (millions of dollars)									
	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Children and Family Services	1,667	1,717	3%	1,903	11%	2,123	12%	2,274	7%
Child Welfare Service	490	499	2%	634	27%	827	30%	947	15%
Foster Care Block Grant	433	436	1%	464	6%	493	6%	493	0%
Adoption	196	185	-6%	198	7%	212	7%	219	3%
Day Care	134	145	8%	143	-1%	139	-3%	139	0%
C.S.E.	65	38	-42%	43	13%	50	16%	57	14%
Adult Protective/Domestic Violence	42	44	5%	53	20%	63	19%	74	17%
Youth Programs	113	137	21%	127	-7%	111	-13%	111	0%
Medicaid	69	111	61%	121	9%	132	9%	138	5%
All Other	125	122	-2%	120	-2%	96	-20%	96	0%

OCFS spending is projected to increase, driven primarily by expected growth in claims-based programs. Growth in Child Welfare Services and Adult Protective/Domestic Violence reflects anticipated growth in local claims and flat Federal funding. Growth in Foster Care Block Grant is attributable to the Human Services cost-of-living adjustment. Projected growth in Medicaid from FY 2011 to FY 2012 is primarily attributable to the annualization of costs related to the Bridges to Health Medicaid Waiver program.

TRANSPORTATION

In FY 2012, the State will provide \$4.2 billion in local assistance to support statewide mass transit systems. This funding, financed through the collection of dedicated taxes and fees, is provided to mass transit operators throughout the State to support operating costs. Due to the size and scope of its transit system, the Metropolitan Transportation Authority (MTA) receives the majority of the statewide mass transit operating aid. Additionally, the MTA receives operating support from the Mobility Tax and MTA Aid Trust Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District. The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA to support the transit system. Spending from this fund is projected to grow modestly in FY 2013 and later years, commensurate with the forecasted growth in receipts.

TRANSPORTATION STATE OPERATING FUNDS SPENDING PROJECTIONS (millions of dollars)									
	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Transportation	4,254	4,236	0%	4,325	2%	4,405	2%	4,495	2%
Mass Transit Operating Aid:	<u>1,894</u>	<u>1,772</u>		<u>1,772</u>		<u>1,772</u>		<u>1,772</u>	
Metro Mass Transit Aid	1,750	1,633	-7%	1,633	0%	1,633	0%	1,633	0%
Public Transit Aid	92	87	-5%	87	0%	87	0%	87	0%
18-B General Fund Aid	27	27	0%	27	0%	27	0%	27	0%
School Fare	25	25	0%	25	0%	25	0%	25	0%
Mobility Tax and MTA Aid Trust	1,662	1,756	6%	1,841	5%	1,927	5%	2,017	5%
Dedicated Mass Transit	653	661	1%	665	1%	659	-1%	659	0%
AMTAP	43	45	5%	45	0%	45	0%	45	0%
All Other	2	2	0%	2	0%	2	0%	2	0%

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

LOCAL GOVERNMENT ASSISTANCE

Direct aid to local governments primarily includes the AIM program, which was created in FY 2006 to consolidate various unrestricted local aid funding streams. Along with AIM, the State provides incentive grants to local governments to promote local efforts to increase efficiency and performance through consolidation or shared services. Other direct aid to local governments includes VLT impact aid, Small Government Assistance and Miscellaneous Financial Assistance.

LOCAL GOVERNMENT ASSISTANCE STATE OPERATING FUNDS SPENDING PROJECTIONS (millions of dollars)									
	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Local Government Assistance	776	767	-1%	797	4%	787	-1%	787	0%
AIM:									
Big Four Cities	438	429	-2%	429	0%	429	0%	429	0%
Other Cities	222	218	-2%	218	0%	218	0%	218	0%
Towns and Villages	69	68	-1%	68	0%	68	0%	68	0%
Efficiency Incentives	10	15	50%	45	200%	44	-2%	44	0%
All Other Local Aid	37	37	0%	37	0%	28	-24%	28	0%

AGENCY OPERATIONS

Agency operating costs includes personal service, non-personal service costs and GSCs. Personal service includes salaries of State employees of the Executive, Legislative, and Judicial branches, as well as overtime payments and costs for temporary employees. Non-personal service generally accounts for the cost of operating 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. GSCs account for the costs of fringe benefits (e.g., pensions, health insurance) provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State. In addition, certain agency operations of Transportation and Motor Vehicles are included in the capital projects fund type and not reflected in the State Operating Funds personal service or non-personal service totals.

Approximately 94 percent of the State workforce is unionized. The largest unions include the Civil Service Employees Association (CSEA), which primarily represents office support staff and administrative personnel, machine operators, skilled trade workers, and therapeutic and custodial care staff; Public Employees Federation (PEF), which primarily represents professional and technical personnel (e.g., attorneys, nurses, accountants, engineers, social workers, and institution teachers); United University Professions (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 (NYSCOPBA), which represents security personnel (correction officers, safety and security officers).

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

Growth in State Operations spending over the multi-year Financial Plan is concentrated in agencies that operate large facilities, such as the State University, the Mental Hygiene agencies, Corrections and Community Supervision, and Children and Family Services. The main causes of growth include inflationary increases in operating costs expected for food, medical care and prescription drugs, and energy costs in State facilities.

Agency redesign savings over the Plan period are expected to be achieved through several means including, but not limited to, facility closures reflecting excess capacity conditions, operational efficiencies, and wage and benefit changes negotiated with the State's employee unions. If the State is unsuccessful in negotiating changes, DOB expects that significant layoffs would be necessary to achieve the State agency savings expected in the Financial Plan.

The Spending and Government Efficiency (SAGE) Commission is charged with making recommendations to reduce the number of State agencies, authorities, and commissions by 20 percent over the next four years. The Financial Plan does not currently include specific savings from the SAGE Commission, but the Commission is expected to aid in achieving the aggressive savings targets for State agencies.

GENERAL STATE CHARGES

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, unemployment insurance, and dental and vision benefits. The majority of employee fringe benefit costs are paid centrally from statewide appropriations. However, certain agencies including the Judiciary and SUNY, directly pay all or a portion of their employees' fringe benefit costs from their respective budgets. Employee fringe benefits paid through GSCs are paid from the General Fund in the first instance and then partially reimbursed by revenue collected from fringe benefit assessments on Federal funds and other special revenue accounts. The largest General Fund reimbursement comes from the mental hygiene agencies.

GSCs also include certain fixed costs such as State taxes paid to local governments for certain State-owned lands and payments related to lawsuits against the State and its public officers.

GENERAL STATE CHARGES									
STATE OPERATING FUNDS SPENDING PROJECTIONS									
(millions of dollars)									
	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Fringe Benefits:									
Health Insurance	3,055	3,429	12.2%	3,785	10.4%	4,118	8.8%	4,145	0.7%
Employee Health Insurance	1,834	2,144	16.9%	2,367	10.4%	2,575	8.8%	2,592	0.7%
Retiree Health Insurance	1,221	1,285	5.2%	1,418	10.4%	1,543	8.8%	1,553	0.6%
Pensions	1,470	1,670	13.6%	1,857	11.2%	2,113	13.8%	2,411	14.1%
Social Security	970	972	0.2%	964	-0.8%	974	1.0%	973	-0.1%
All Other Fringe	257	131	-49.0%	187	42.7%	102	-45.5%	119	16.7%
Fixed Costs	350	328	-6.3%	332	1.2%	337	1.5%	342	1.5%
Total State Operating Funds	6,102	6,530	7.0%	7,125	9.1%	7,644	7.3%	7,990	4.5%

GSCs are projected to grow at an average annual rate of 7 percent over the plan period. The growth is mainly due to anticipated cost increases in pensions and health insurance for active and retired State employees. The projections assume the amortization of pension costs. See "Other Matters Affecting the Enacted Budget Financial Plan — Pension Expenditures (Including Amortization)" herein.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

DEBT SERVICE

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

DEBT SERVICE SPENDING PROJECTIONS (millions of dollars)				
	2010-11 Results	2011-12 Enacted	Annual Change	Percent Change
General Fund	1,737	1,449	(288)	-16.6%
Other State Support	3,878	4,406	528	13.6%
State Operating Funds	5,615	5,855	240	4.3%
Total All Funds	5,615	5,855	240	4.3%

Total debt service is projected at \$5.9 billion in FY 2012, of which \$1.4 billion is paid from the General Fund through transfers and \$4.4 billion from other State funds. The General Fund transfer primarily finances debt service payments on general obligation and service contract bonds. Debt service is paid directly from other State funds for the State's revenue bonds, including, but not limited to, PIT bonds, DHBTF bonds, and mental health facilities bonds.

Enacted budget projections for debt service spending have been revised to reflect the pre-payment of \$154 million of SUNY debt service in March 2011. Otherwise, FY 2012 debt service estimates are relatively unchanged, with minor revisions for Dedicated Highway, general obligation, and PIT bonding programs.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

CASH FINANCIAL PLAN GENERAL FUND ANNUAL CHANGE (millions of dollars)

	2010-2011 Year-End	2011-2012 Enacted	Annual \$ Change	Annual % Change
Opening Fund Balance	<u>2,302</u>	<u>1,376</u>	<u>(926)</u>	<u>-40.2%</u>
Receipts:				
Taxes:				
Personal Income Tax	23,894	26,001	2,107	8.8%
User Taxes and Fees	8,795	9,105	310	3.5%
Business Taxes	5,279	6,101	822	15.6%
Other Taxes	1,237	1,030	(207)	-16.7%
Miscellaneous Receipts	3,095	3,098	3	0.1%
Federal Receipts	54	60	6	11.1%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	7,625	8,096	471	6.2%
Sales Tax in Excess of LGAC Debt Service	2,351	2,409	58	2.5%
Real Estate Taxes in Excess of CW/CA Debt Service	348	395	47	13.5%
All Other Transfers	1,769	998	(771)	-43.6%
Total Receipts	<u>54,447</u>	<u>57,293</u>	<u>2,846</u>	<u>5.2%</u>
Disbursements:				
Local Assistance Grants	37,206	38,888	1,682	4.5%
Departmental Operations:				
Personal Service	6,151	5,560	(591)	-9.6%
Non-Personal Service	1,822	1,796	(26)	-1.4%
General State Charges	4,187	4,668	481	11.5%
Transfers to Other Funds:				
Debt Service	1,737	1,449	(288)	-16.6%
Capital Projects	932	800	(132)	-14.2%
State Share Medicaid	2,497	3,032	535	21.4%
Other Purposes	841	739	(102)	-12.1%
Total Disbursements	<u>55,373</u>	<u>56,932</u>	<u>1,559</u>	<u>2.8%</u>
Excess (Deficiency) of Receipts Over Disbursements and Reserves	<u>(926)</u>	<u>361</u>	<u>1,287</u>	<u>-139.0%</u>
Closing Fund Balance	<u>1,376</u>	<u>1,737</u>	<u>361</u>	<u>26.2%</u>
Statutory Reserves				
Tax Stabilization Reserve Fund	1,031	1,031	0	
Rainy Day Reserve Fund	175	275	100	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	136	51	(85)	
Reserved For				
Prior-Year Labor Agreements (2007-2011)	0	346	346	
Debt Management	13	13	0	

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

**CASH FINANCIAL PLAN
GENERAL FUND
2011-2012 through 2014-2015
(millions of dollars)**

	<u>2011-2012 Enacted</u>	<u>2012-2013 Projected</u>	<u>2013-2014 Projected</u>	<u>2014-2015 Projected</u>
Receipts:				
Taxes:				
Personal Income Tax	26,001	26,085	27,569	28,698
User Taxes and Fees	9,105	9,383	9,723	10,082
Business Taxes	6,101	6,456	6,721	6,141
Other Taxes	1,030	1,085	1,145	1,210
Miscellaneous Receipts	3,098	2,917	2,496	2,066
Federal Receipts	60	60	60	60
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,096	7,923	8,374	8,707
Sales Tax in Excess of LGAC Debt Service	2,409	2,492	2,617	2,729
Real Estate Taxes in Excess of CW/CA Debt Service	395	469	556	634
All Other Transfers	998	772	615	610
Total Receipts	<u>57,293</u>	<u>57,642</u>	<u>59,876</u>	<u>60,937</u>
Disbursements:				
Local Assistance Grants	38,888	40,115	41,996	43,734
Departmental Operations:				
Personal Service	5,560	5,773	5,879	6,047
Non-personal Service	1,796	2,178	2,036	2,163
General State Charges	4,668	5,126	5,499	5,660
Transfers to Other Funds:				
Debt Service	1,449	1,712	1,658	1,566
Capital Projects	800	1,168	1,361	1,456
State Share Medicaid	3,032	3,119	3,082	3,082
Other Purposes	739	739	1,059	1,692
Total Disbursements	<u>56,932</u>	<u>59,930</u>	<u>62,570</u>	<u>65,400</u>
Reserves:				
Community Projects Fund	(85)	(51)	0	0
Rainy Day Reserve Fund	100	0	0	0
Prior-Year Labor Agreements (2007-2011)	346	142	142	142
Increase (Decrease) in Reserves	<u>361</u>	<u>91</u>	<u>142</u>	<u>142</u>
Excess (Deficiency) of Receipts Over Disbursements and Reserves	<u>0</u>	<u>(2,379)</u>	<u>(2,836)</u>	<u>(4,605)</u>

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

CASH RECEIPTS
CURRENT STATE RECEIPTS
GENERAL FUND
2011-2012 THROUGH 2014-2015
(millions of dollars)

	2011-2012 Enacted	2012-2013 Projected	2013-2014 Projected	2014-2015 Projected
Taxes:				
Withholdings	31,802	32,356	34,535	36,383
Estimated Payments	11,900	11,728	11,910	12,575
Final Payments	2,110	2,199	2,154	2,151
Other Payments	1,089	1,134	1,210	1,312
Gross Collections	46,901	47,417	49,809	52,421
State/City Offset	(148)	(148)	(98)	(98)
Refunds	(7,694)	(8,059)	(8,272)	(9,136)
Reported Tax Collections	39,059	39,210	41,439	43,187
STAR (Dedicated Deposits)	(3,292)	(3,322)	(3,510)	(3,692)
RBTF (Dedicated Transfers)	(9,766)	(9,803)	(10,360)	(10,797)
Personal Income Tax	26,001	26,085	27,569	28,698
Sales and Use Tax	11,173	11,503	11,960	12,440
Cigarette and Tobacco Taxes	492	518	511	505
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	233	238	242	247
Highway Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Utility Taxes and Fees	11,898	12,259	12,713	13,192
LGAC Sales Tax (Dedicated Transfers)	(2,793)	(2,876)	(2,990)	(3,110)
User Taxes and Fees	9,105	9,383	9,723	10,082
Corporation Franchise Tax	3,047	3,178	3,284	2,527
Corporation and Utilities Tax	681	750	780	813
Insurance Taxes	1,266	1,318	1,376	1,438
Bank Tax	1,107	1,210	1,281	1,363
Petroleum Business Tax	0	0	0	0
Business Taxes	6,101	6,456	6,721	6,141
Estate Tax	1,015	1,070	1,130	1,195
Real Estate Transfer Tax	620	690	770	840
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	14	14	14	14
Other Taxes	1	1	1	1
Gross Other Taxes	1,650	1,775	1,915	2,050
Real Estate Transfer Tax (Dedicated)	(620)	(690)	(770)	(840)
Other Taxes	1,030	1,085	1,145	1,210
Payroll Tax	0	0	0	0
Total Taxes	42,237	43,009	45,158	46,131
Licenses, Fees, Etc.	455	525	486	506
Abandoned Property	755	735	670	655
Motor Vehicle Fees	132	109	36	36
ABC License Fee	49	51	50	50
Reimbursements	202	202	197	197
Investment Income	10	10	10	10
Other Transactions	1,495	1,285	1,047	612
Miscellaneous Receipts	3,098	2,917	2,496	2,066
Federal Grants	60	60	60	60
Total	45,395	45,986	47,714	48,257

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>State Operating Funds Total</u>
Opening Fund Balance	1,376	2,141	453	3,970
Receipts:				
Taxes	42,237	8,319	13,059	63,615
Miscellaneous Receipts	3,098	15,212	949	19,259
Federal Receipts	60	1	79	140
Total Receipts	<u>45,395</u>	<u>23,532</u>	<u>14,087</u>	<u>83,014</u>
Disbursements:				
Local Assistance Grants	38,888	18,873	0	57,761
Departmental Operations:				
Personal Service	5,560	6,117	0	11,677
Non-Personal Service	1,796	3,193	62	5,051
General State Charges	4,668	1,862	0	6,530
Debt Service	0	0	5,855	5,855
Capital Projects	0	5	0	5
Total Disbursements	<u>50,912</u>	<u>30,050</u>	<u>5,917</u>	<u>86,879</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	11,898	7,322	6,524	25,744
Transfers to Other Funds	(6,020)	(719)	(14,574)	(21,313)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>5,878</u>	<u>6,603</u>	<u>(8,050)</u>	<u>4,431</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	<u>361</u>	<u>85</u>	<u>120</u>	<u>566</u>
Closing Fund Balance	<u>1,737</u>	<u>2,226</u>	<u>573</u>	<u>4,536</u>

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	43,009	8,643	13,249	64,901
Miscellaneous Receipts	2,917	16,072	997	19,986
Federal Receipts	60	1	79	140
Total Receipts	45,986	24,716	14,325	85,027
Disbursements:				
Local Assistance Grants	40,115	19,778	0	59,893
Departmental Operations:				
Personal Service	5,773	6,198	0	11,971
Non-Personal Service	2,178	3,334	62	5,574
General State Charges	5,126	1,999	0	7,125
Debt Service	0	0	6,332	6,332
Capital Projects	0	5	0	5
Total Disbursements	53,192	31,314	6,394	90,900
Other Financing Sources (Uses):				
Transfers from Other Funds	11,656	7,285	6,607	25,548
Transfers to Other Funds	(6,738)	(283)	(14,436)	(21,457)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	4,918	7,002	(7,829)	4,091
Designated General Fund Reserves:				
Reserve for Collective Bargaining	(142)	0	0	(142)
Reserve for Community Projects Fund	51	0	0	51
Net Designated General Fund Reserves	(91)	0	0	(91)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses				
	(2,379)	404	102	(1,873)

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>State Operating Funds Total</u>
Receipts:				
Taxes	45,158	8,980	14,001	68,139
Miscellaneous Receipts	2,496	16,456	1,043	19,995
Federal Receipts	60	1	79	140
Total Receipts	<u>47,714</u>	<u>25,437</u>	<u>15,123</u>	<u>88,274</u>
Disbursements:				
Local Assistance Grants	41,996	20,391	0	62,387
Departmental Operations:				
Personal Service	5,879	6,295	0	12,174
Non-Personal Service	2,036	3,436	62	5,534
General State Charges	5,499	2,145	0	7,644
Debt Service	0	0	6,498	6,498
Capital Projects	0	5	0	5
Total Disbursements	<u>55,410</u>	<u>32,272</u>	<u>6,560</u>	<u>94,242</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	12,162	7,477	6,552	26,191
Transfers to Other Funds	(7,160)	(130)	(15,009)	(22,299)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>5,002</u>	<u>7,347</u>	<u>(8,457)</u>	<u>3,892</u>
Designated General Fund Reserves:				
Reserve for Collective Bargaining	(142)	0	0	(142)
Net Designated General Fund Reserves	<u>(142)</u>	<u>0</u>	<u>0</u>	<u>(142)</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses				
	<u>(2,836)</u>	<u>512</u>	<u>106</u>	<u>(2,218)</u>

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

**CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2014-2015
(millions of dollars)**

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	46,131	9,334	14,628	70,093
Miscellaneous Receipts	2,066	16,712	1,064	19,842
Federal Receipts	60	1	79	140
Total Receipts	48,257	26,047	15,771	90,075
Disbursements:				
Local Assistance Grants	43,734	21,016	0	64,750
Departmental Operations:				
Personal Service	6,047	6,421	0	12,468
Non-Personal Service	2,163	3,501	62	5,726
General State Charges	5,660	2,330	0	7,990
Debt Service	0	0	6,551	6,551
Capital Projects	0	5	0	5
Total Disbursements	57,604	33,273	6,613	97,490
Other Financing Sources (Uses):				
Transfers from Other Funds	12,680	7,683	6,185	26,548
Transfers to Other Funds	(7,796)	26	(15,197)	(22,967)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	4,884	7,709	(9,012)	3,581
Designated General Fund Reserves:				
Reserve for Collective Bargaining	(142)	0	0	(142)
Net Designated General Fund Reserves	(142)	0	0	(142)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses				
	(4,605)	483	146	(3,976)

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>All Funds Total</u>
Opening Fund Balance	1,376	2,150	(168)	453	3,811
Receipts:					
Taxes	42,237	8,319	1,361	13,059	64,976
Miscellaneous Receipts	3,098	15,344	4,016	949	23,407
Federal Receipts	60	40,872	2,294	79	43,305
Total Receipts	<u>45,395</u>	<u>64,535</u>	<u>7,671</u>	<u>14,087</u>	<u>131,688</u>
Disbursements:					
Local Assistance Grants	38,888	53,805	2,711	0	95,404
Departmental Operations:					
Personal Service	5,560	6,803	0	0	12,363
Non-Personal Service	1,796	4,203	0	62	6,061
General State Charges	4,668	2,165	0	0	6,833
Debt Service	0	0	0	5,855	5,855
Capital Projects	0	5	5,177	0	5,182
Total Disbursements	<u>50,912</u>	<u>66,981</u>	<u>7,888</u>	<u>5,917</u>	<u>131,698</u>
Other financing sources (Uses):					
Transfers from Other Funds	11,898	7,323	1,060	6,524	26,805
Transfers to Other Funds	(6,020)	(4,791)	(1,445)	(14,574)	(26,830)
Bond and Note Proceeds	0	0	484	0	484
Net Other Financing Sources (Uses)	<u>5,878</u>	<u>2,532</u>	<u>99</u>	<u>(8,050)</u>	<u>459</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	<u>361</u>	<u>86</u>	<u>(118)</u>	<u>120</u>	<u>449</u>
Closing Fund Balance	<u>1,737</u>	<u>2,236</u>	<u>(286)</u>	<u>573</u>	<u>4,260</u>

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	43,009	8,643	1,392	13,249	66,293
Miscellaneous Receipts	2,917	16,203	3,685	997	23,802
Federal Receipts	60	37,687	1,847	79	39,673
Total Receipts	45,986	62,533	6,924	14,325	129,768
Disbursements:					
Local Assistance Grants	40,115	51,669	2,010	0	93,794
Departmental Operations:					
Personal Service	5,773	6,879	0	0	12,652
Non-Personal Service	2,178	4,243	0	62	6,483
General State Charges	5,126	2,331	0	0	7,457
Debt Service	0	0	0	6,332	6,332
Capital Projects	0	5	5,276	0	5,281
Total Disbursements	53,192	65,127	7,286	6,394	131,999
Other Financing Sources (Uses):					
Transfers from Other Funds	11,656	7,286	1,410	6,607	26,959
Transfers to Other Funds	(6,738)	(4,288)	(1,505)	(14,436)	(26,967)
Bond and Note Proceeds	0	0	400	0	400
Net Other Financing Sources (Uses)	4,918	2,998	305	(7,829)	392
Designated General Fund Reserves:					
Reserve for Collective Bargaining	(142)	0	0	0	(142)
Reserve for Community Projects Fund	51	0	0	0	51
Net Designated General Fund Reserves	(91)	0	0	0	(91)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses					
	(2,379)	404	(57)	102	(1,930)

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>All Funds Total</u>
Receipts:					
Taxes	45,158	8,980	1,397	14,001	69,536
Miscellaneous Receipts	2,496	16,587	3,516	1,043	23,642
Federal Receipts	60	39,731	1,811	79	41,681
Total Receipts	<u>47,714</u>	<u>65,298</u>	<u>6,724</u>	<u>15,123</u>	<u>134,859</u>
Disbursements:					
Local Assistance Grants	41,996	54,433	2,001	0	98,430
Departmental Operations:					
Personal Service	5,879	6,966	0	0	12,845
Non-Personal Service	2,036	4,324	0	62	6,422
General State Charges	5,499	2,483	0	0	7,982
Debt Service	0	0	0	6,498	6,498
Capital Projects	0	5	5,067	0	5,072
Total Disbursements	<u>55,410</u>	<u>68,211</u>	<u>7,068</u>	<u>6,560</u>	<u>137,249</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	12,162	7,478	1,582	6,552	27,774
Transfers to Other Funds	(7,160)	(4,052)	(1,554)	(15,009)	(27,775)
Bond and Note Proceeds	0	0	338	0	338
Net Other Financing Sources (Uses)	<u>5,002</u>	<u>3,426</u>	<u>366</u>	<u>(8,457)</u>	<u>337</u>
Designated General Fund Reserves:					
Reserve for Collective Bargaining	(142)	0	0	0	(142)
Net Designated General Fund Reserves	<u>(142)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(142)</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses					
	<u>(2,836)</u>	<u>513</u>	<u>22</u>	<u>106</u>	<u>(2,195)</u>

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2014-2015
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	46,131	9,334	1,408	14,628	71,501
Miscellaneous Receipts	2,066	16,843	3,244	1,064	23,217
Federal Receipts	60	45,067	1,809	79	47,015
Total Receipts	48,257	71,244	6,461	15,771	141,733
Disbursements:					
Local Assistance Grants	43,734	60,763	1,730	0	106,227
Departmental Operations:					
Personal Service	6,047	7,095	0	0	13,142
Non-Personal Service	2,163	4,384	0	62	6,609
General State Charges	5,660	2,674	0	0	8,334
Debt Service	0	0	0	6,551	6,551
Capital Projects	0	5	4,995	0	5,000
Total Disbursements	57,604	74,921	6,725	6,613	145,863
Other Financing Sources (Uses):					
Transfers from Other Funds	12,680	7,684	1,519	6,185	28,068
Transfers to Other Funds	(7,796)	(3,524)	(1,528)	(15,197)	(28,045)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	4,884	4,160	297	(9,012)	329
Designated General Fund Reserves:					
Reserve for Collective Bargaining	(142)	0	0	0	(142)
Net Designated General Fund Reserves	(142)	0	0	0	(142)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses					
	(4,605)	483	33	146	(3,943)

Source: NYS DOB

**CASHFLOW
GENERAL FUND
2011-2012
(dollars in millions)**

	2011 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2012 January Projected	February Projected	March Projected	Total
OPENING BALANCE	1,376	4,475	1,098	489	1,245	946	4,192	3,023	1,568	1,906	5,645	5,025	1,376
RECEIPTS:													
Personal Income Tax	4,127	846	2,496	1,720	1,837	2,712	1,693	1,324	441	5,165	1,800	1,840	26,001
User Taxes and Fees	685	669	878	703	717	933	685	689	865	730	625	926	9,105
Business Taxes	151	55	925	74	104	1,063	124	87	1,317	105	122	1,974	6,101
Other Taxes	75	87	87	87	88	88	87	86	86	87	86	86	1,030
Total Taxes	5,038	1,657	4,386	2,584	2,746	4,796	2,589	2,186	2,709	6,087	2,633	4,826	42,237
Licenses, Fees, etc.	46	32	33	31	35	40	41	39	41	39	39	39	455
Abandoned Property	1	0	30	16	10	92	23	127	42	73	56	285	755
ABC License Fee	5	4	4	5	4	5	3	3	3	4	5	4	49
Motor vehicle fees	0	0	0	0	0	7	21	21	21	21	21	20	132
Reimbursements	12	12	25	9	12	24	12	12	27	10	10	37	202
Investment Income	1	1	0	2	0	0	1	0	0	1	1	3	10
Other Transactions	20	51	98	97	55	371	52	48	96	47	76	484	1,495
Total Miscellaneous Receipts	85	100	190	160	116	539	153	250	230	195	208	872	3,098
Federal Grants	2	0	14	0	0	15	0	0	15	0	0	14	60
PTI in Excess of Revenue Bond Debt	1,375	135	964	525	258	1,067	304	171	1,044	1,018	328	907	8,096
Sales Tax in Excess of LGAC Debt S	205	35	443	214	220	224	212	213	263	230	3	147	2,409
Real Estate Taxes in Excess of CW/C	39	36	38	33	41	34	38	25	32	30	26	23	395
All Other	96	14	44	77	9	14	42	22	27	6	(48)	695	998
Total Transfers from Other Funds	1,715	220	1,489	849	528	1,339	596	431	1,366	1,284	309	1,772	11,898
TOTAL RECEIPTS	6,840	1,977	6,079	3,593	3,390	6,689	3,338	2,867	4,320	7,566	3,150	7,484	57,293
DISBURSEMENTS:													
School Aid	232	2,615	2,169	100	540	1,300	500	1,000	1,520	530	500	5,796	16,802
Higher Education	32	25	624	43	198	72	443	32	247	78	321	463	2,578
All Other Education	23	100	306	75	55	70	223	157	62	227	97	337	1,732
Medicaid - DOH	971	927	1,384	480	1,053	156	1,271	1,424	460	810	862	438	10,236
Public Health	15	87	107	79	34	129	29	19	102	16	17	108	742
Mental Hygiene	19	8	352	1	1	533	1	1	349	137	113	366	1,881
Children and Families	8	162	192	117	93	206	88	116	194	78	75	386	1,715
Temporary & Disability Assistance	326	131	136	104	81	122	75	75	89	75	18	170	1,402
Transportation	0	24	0	0	24	0	0	24	15	0	10	3	100
Unrestricted Aid	1	13	295	2	2	92	11	2	205	2	2	140	767
All Other	(23)	25	207	36	50	58	(42)	33	28	33	484	44	933
Total Local Assistance Grants	1,604	4,117	5,772	1,037	2,131	2,738	2,599	2,883	3,271	1,986	2,499	8,251	38,888
Personal Service	602	464	544	512	626	378	348	489	394	373	505	325	5,560
Non-Personal Service	199	149	135	172	166	145	131	112	114	160	157	156	1,796
Total State Operations	801	613	679	684	792	523	479	601	508	533	662	481	7,356
General State Charges	404	338	102	405	416	52	378	440	60	446	282	1,345	4,668
Debt Service	520	0	(99)	375	(4)	(107)	565	0	(84)	445	(18)	(144)	1,449
Capital Projects	(23)	43	(21)	54	59	(42)	87	80	(48)	130	67	414	800
State Share Medicaid	273	209	240	248	257	257	257	257	257	257	257	263	3,032
Other Purposes	162	34	15	34	38	22	142	61	18	30	21	162	739
Total Transfers to Other Funds	932	286	135	711	350	130	1,051	398	143	862	327	695	6,020
TOTAL DISBURSEMENTS	3,741	5,354	6,688	2,837	3,689	3,443	4,507	4,322	3,982	3,827	3,770	10,772	56,932
Excess/(Deficiency) of Receipts over D	3,099	(3,377)	(609)	756	(299)	3,246	(1,169)	(1,455)	338	3,739	(620)	(3,288)	361
CLOSING BALANCE	4,475	1,098	489	1,245	946	4,192	3,023	1,568	1,906	5,645	5,025	1,737	1,737

Source: NYS DOB

SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT

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

General Obligation

The provisions of the Agreement shall be deemed executory to the extent of moneys available in the Health Income Fund and no monetary liability on account of the Agreement shall be incurred by the Department beyond moneys legally available in the Health Income Fund.

(Section 2.01)

Authority's Obligations Are Executory

The provisions of the Agreement requiring the expenditure of moneys by the Authority shall also be deemed executory only to the extent that the Authority shall have moneys derived from the proceeds of the sale of Bonds or other sources provided by the Department, and no liability on account thereof shall be incurred by the Authority beyond moneys legally available from such sources.

(Section 2.02)

Covenants for Benefit of Holders of Bonds

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

(Section 2.03)

Construction of Projects

The Authority agrees that it will prepare or cause to be prepared the Plans and Specifications for each Project and it will acquire, construct, reconstruct, rehabilitate or otherwise provide or cause to be acquired, constructed, reconstructed, rehabilitated or otherwise provided the Projects substantially in accordance with the Plans and Specifications. The Authority agrees that it will use its best efforts to cause such acquisition, construction, reconstruction, rehabilitation and provision to be completed as soon as may be practicable, delays incident to strikes, riots, acts of God, the public enemy or any delay beyond its reasonable control only excepted; but if for any reason such acquisition, construction, reconstruction, rehabilitation and provision is delayed there shall be no resulting liability on the part of the Authority and no diminution in or postponement of the amounts payable under the Agreement by the Department.

The Authority shall be responsible for the letting of contracts for the design, acquisition, construction, reconstruction, rehabilitation and provision of each Project and the furnishing or equipping thereof, supervision of construction, acceptance of the completed Projects or parts thereof, and all other matters incidental to performance of the duties and powers expressly granted in the Agreement to the Authority in connection therewith. Copies of such contracts, the Plans and Specifications and each modification thereof shall be sent to the Department promptly upon the Department's request therefor.

Contracts in connection with the acquisition, construction, reconstruction, rehabilitation and provision of each Project and the furnishing or equipping thereof shall be let in accordance with applicable law, including specifically Section 135 of the State Finance Law.

The Authority makes no warranties or representations and accepts no liabilities or responsibilities with respect to or for the adequacy, sufficiency or suitability of or defects in the Plans and Specifications or any contracts or agreements with respect to the acquisition, construction, reconstruction, rehabilitation or provision of any Project or the furnishing and equipping thereof.

(Section 3.01)

Construction Costs

Under the Resolution, the Authority is authorized to, and shall, make payments from the Construction Fund to pay the Costs of the Project or to reimburse the Department for Costs paid by the State upon execution by the Authority of a requisition signed by an Authorized Officer of the Department filed with the Authority, stating with respect to each payment to be made (i) the Project in connection with which payment is to be made, (ii) the names of the payees, (iii) the purpose for which such 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.

The Authority agrees to certify, annually, to the Department and to the Division of the Budget of the State of New York the amount, if any, estimated by the Authority at the time of such certification as necessary to pay all unpaid Costs of the Project, which is in excess of the amount then on deposit in the Construction Fund and available to pay such Costs. The Department agrees that if the proceeds received by the Authority from Bonds and allocated to pay Costs of the Project, and together with other funds on deposit in the Construction Fund to pay such Costs, are not sufficient to pay all of such Costs, the Authority shall so certify to the Department. Upon receipt of any such certification, the Department shall be obligated to pay to the Authority, promptly upon demand therefor, but only from moneys in the Health Income Fund, an amount sufficient to allow the Authority to complete the providing of the Project and to pay all such Costs in connection therewith.

(Section 3.02)

Operation, Maintenance, Repair and Replacement

The Department, at its expense, shall hold, operate, maintain, repair and replace each Project and its equipment in a careful and prudent manner and keep each Project and its equipment in a clean and orderly fashion. The cost of operating and maintaining the Project shall include, but shall not be limited to, all expenses of furnishing steam, hot and cold water, electricity, gas, oil, coal or other fuel, sewage and all other utility services required for the Project, real property taxes and assessments and water and sewer rents on the Project, if any.

Except as otherwise provided for by the Agreement, the Department and the Authority shall make available to pay the cost of repairs and replacements of a Project and its equipment (i) the proceeds of insurance or condemnation, if any, received by the Department by reason of the damage necessitating such repairs or replacements and (ii) to the extent permitted by the Resolution, moneys available from the Building and Equipment Reserve Fund.

Moneys withdrawn from the Building and Equipment Reserve Fund pursuant to the Resolution to pay the cost of repairs and replacements of a Project and its equipment shall be repaid by the Department in ten (10) equal semiannual payments payable on November 15 and May 15 in accordance with the Agreement commencing on the May 15 of the Bond Year immediately succeeding the Bond Year during which such withdrawal was made. Moneys withdrawn from the Building and Equipment Reserve Fund pursuant to the Resolution to pay debt service on Bonds shall be repaid by the Department in two (2) equal semi-annual payments payable on November 15 and May 15 in accordance with the Agreement commencing on the November 15 of the Bond Year immediately succeeding the Bond Year during which such withdrawal was made.

(Section 3.03)

Amendment of Project

The Authority and the Department agree that each part of the Project has been the subject of legislation or an appropriation by the Legislature of the State of New York as a specific facility and that, while the Project or parts thereof may be amended from time to time with change-orders during the period of construction, no such amendment or change-order will be made to the Project or a part thereof which would have the effect of materially changing the character, nature or purpose thereof from the specific facility which was intended by the State Legislature to be provided by the Authority in such legislation or appropriation. Nothing in the Agreement shall prevent the Project from being amended to include additional facilities or to increase the scope thereof so long as moneys required to make any such increase shall be available to the Authority from a source other than Bonds.

(Section 3.04)

Use of Project

The Department agrees that, unless in the opinion of Bond Counsel the use or occupancy of the Project or part thereof other than as required by the Agreement would not adversely affect the exclusion of interest on any of the Bonds from gross income for purposes of Federal income taxation and is not prohibited by the Act or other provision of law, the Project shall be occupied or used only by the Department. The Authority agrees that the Parking Garage shall be occupied or used only as authorized or permitted by law and for purposes for which the Authority is authorized to undertake and finance capital facilities.

(Section 3.05)

Restrictions on Religious Use

The Department agrees that with respect to the Project or portion thereof, so long as the Project or portion thereof exists and unless and until the Project or portion thereof is sold for the fair market value thereof, the Project or any portion thereof shall not be used for sectarian religious instruction or as a place of religious worship or in connection with any part of a program of a school or department of divinity for any religious denomination; provided, however, that the foregoing restriction shall not prohibit the free exercise of any religion; and, further provided, however, that if at any time after the date of the Agreement, in the opinion of Bond Counsel, the then applicable law would permit the Project or a portion thereof to be used without regard to the above stated restriction, said restriction shall not apply to such Project and each portion thereof. The Authority and its agents may conduct such inspections as an Authorized Officer of the Authority deems necessary to determine whether the Project or any portion of real property thereof financed by Bonds is being used for any purpose proscribed by the Agreement. The Department under the Agreement further agrees that prior to any disposition of any portion of the Project for less than fair market value, it shall execute and record in the appropriate real property records an instrument subjecting, to the satisfaction of the Authority, the use of such portion of the Project to the restriction that (i) so long as such portion of such Project (and, if included in such Project, the real property on or in which such portion of such Project is situated) shall exist and (ii) until such portion of such Project is sold or otherwise transferred to a person who purchases the same for the fair market value thereof at the time of such sale or transfer, such portion of such Project shall not be used for sectarian religious instruction or as a place of religious worship or used in connection with any part of the program of a school or department of divinity of any religious denomination. The instrument containing such restriction shall further provide that such restriction may be enforced at the insistence of the Authority or the Attorney General of the State, by a proceeding in any court of competent jurisdiction, by injunction, mandamus or by other appropriate remedy. The instrument containing such restriction shall also provide that if at any time thereafter, in the opinion of Bond Counsel, the then applicable law would permit such portion of such Project, or, if included in the Project, the real property on or in which such portion is situated, to be used without regard to the above stated restriction, then said restriction shall be without any force or effect. For the purposes of this paragraph an involuntary transfer or disposition of the Project or a portion thereof, upon foreclosure or otherwise, shall be considered a sale for the fair market value thereof.

(Section 3.06)

Grant Requisitions and Deposit of Proceeds

The Department agrees that it shall make, within five (5) days of receipt of written notice from the Authority, a requisition to the appropriate agency or officer of the United States of America, the State of New York or any other governmental agency, private agency, fund or corporation, for moneys payable to the Department in accordance with any grant agreement made by and between the Department and any of such other parties providing financial aid in connection with the planning, designing, acquiring, constructing, reconstructing, rehabilitating, improving or otherwise providing and furnishing and equipping the Project or financing the same. The Department agrees to pay to the Authority all moneys received pursuant to any such grant agreement. All moneys received by the Authority pursuant to Section 3.07 of the Agreement, whether paid by the Department or directly paid to the Authority shall be deposited: (i) in the case of a construction grant agreement in aid of the payment of capital costs, to the Authority for deposit in the Construction Fund to the account of the Project; (ii) in the case of a debt service or interest subsidy grant agreement in aid of the payment of interest on or principal of the Bonds, or both, in the Debt Service Fund to the credit of the appropriate account or accounts therein; and (iii) in the case of any other grant agreement, to such fund or account maintained by the Authority or the Trustee, as the case may be, as shall best assure compliance with the provisions of the particular grant agreement.

(Section 3.07)

Abandonment of Project

If the Authority is required for any reason to abandon the acquisition, design, construction, reconstruction, rehabilitation, improvement or otherwise providing and furnishing and equipping of any part or portion of the Project, or if the Department shall fail to operate or shall cease to operate any part or portion of the Project, or if the Project is amended by Supplemental Agreement to withdraw any part or portion of the Project (any of which events is called an "abandonment" in the Agreement), it is agreed that:

1. An Authorized Officer of the Authority shall prepare and execute a certificate which shall be delivered to the Trustee and the Department and which shall state the following:

(a) The total Cost of the Project, or if the Project shall not have been completed, the total estimated Cost thereof.

(b) The total Cost of the part or portion to be abandoned or, if such part or portion shall not have been completed, the total estimated Costs thereof.

(c) The amount of Costs incurred by the Authority with respect to such part or portion and the remaining unpaid amount plus the amount of any other expenses and liabilities incurred by the Authority by reason of its undertaking such part or portion and remaining unpaid amount.

(d) The product which results when the total amount of Bonds then Outstanding is multiplied by the quotient resulting when the amount certified pursuant to item (b) above is divided by the amount certified pursuant to item (a) above, which product shall be rounded to the next highest \$5,000.

(e) The amount required to be deposited with the Trustee in order to deem paid (within the meaning of the Resolution), in inverse order of maturity, Bonds Outstanding in the aggregate principal amount of the product specified pursuant to item (d) above.

(f) The amount, if any, which such Authorized Officer in his sole discretion shall determine to be then available in the Construction Fund to pay Costs of such part or portion and other expenses and liabilities incurred by the Authority by reason of its undertaking of such part or portion and not needed to pay Costs of any other part or portion of the Project or to make any other payment permitted by the Resolution.

(g) The amount of money required to be paid to the Federal government pursuant to the terms of any Federal grant relating to the Project.

2. The Department shall pay from moneys in the Health Income Fund to the Authority the amount certified pursuant to item (c) of paragraph (1) above for deposit to the Construction Fund.

3. The Department shall pay from moneys in the Health Income Fund to the Trustee the amount certified pursuant to item (e) of paragraph (1) above and the amount of money in the Construction Fund, if any, credited against the payment required by this paragraph (3) for deposit to the Debt Service Fund.

The Department shall pay upon appropriation by the State Legislature to the Federal government the amount certified pursuant to item (g) of paragraph (1) above.

Notwithstanding the foregoing, the amount certified pursuant to item (f) of paragraph (1) above shall be credited against the sum of the amounts required to be paid by paragraphs (2) and (3) above.

Upon the prior written consent of the Director of the Budget of the State, a Project may be sold for such amount and upon such terms as the Authority and the Department may agree. The proceeds of such sale, up to the principal amount of Outstanding Bonds issued in connection with such Project plus the premium payable and interest accrued thereon, if any, on the first date after the sale 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 Project and any other expenses, liabilities of and moneys owed to the Authority by reason of its undertaking to provide such Project, 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 Project, 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, which consent shall not be unreasonably withheld or delayed, be used by the Department 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 equal to the amount required to be paid to the Authority pursuant to the immediately preceding sentence.

(Sections 3.08, 3.09 and 3.11)

Loss of Use of a Project

In case a Project or part thereof is taken by eminent domain or condemnation, or damaged or destroyed, then and in such event:

(a) if, within one hundred and twenty (120) days from the occurrence, the Department notifies the Authority in writing of its intention to replace or restore such Project, the Department shall proceed to replace or restore such Project, including all fixtures, furniture, equipment and effects, to its original condition insofar as possible. The moneys required for such replacement or restoration shall be paid from the proceeds of any condemnation award or insurance received by reason of such occurrence, and to the extent such proceeds are not sufficient, from the Building and Equipment Reserve Fund or from moneys to be provided by the Department; or

(b) if the Authority has not within such one hundred and twenty (120) day period been notified in writing of the intention of the Department to restore or replace such Project or if the Department determines not to restore or replace such Project, the Authority in its discretion may determine that such Project has been abandoned. In such event, the proceeds of any condemnation award or insurance received by reason of such occurrence shall be applied and paid in the same manner and order of priority as provided for the proceeds of the sale of such Project pursuant to the Agreement.

(Section 3.12)

License for Construction

The Department grants to the Authority a license to enter upon and over each Project, the land upon which each Project is located and any land adjacent thereto for the purpose of constructing, reconstructing, rehabilitating or otherwise providing the Projects and for the repair and renovation thereof, which license shall not terminate until the earlier of the date on which the Agreement terminates and ninety-nine years from the date of the Agreement.

(Section 3.13)

Right of Inspection

The Authority shall have the right to enter upon, inspect and examine each Project at any reasonable time upon prior notice to the Department; provided that no such notice shall be required if the Authority in its sole judgment determines that such inspection is to be made because of the existence of a situation which poses an imminent danger to the public or the occupants of a Project or which otherwise constitutes an emergency. The Department or its agents or representatives shall have the right to enter upon, inspect and examine the Parking Garage at any time during reasonable hours.

(Section 3.14)

Compliance with Laws and Regulations

In the performance of its obligations under the Agreement, the Department shall comply with all applicable laws, regulations, and rules of the Government of the United States of America and the State of New York, the rules and regulations of the National Board of Fire Underwriters and any requirement of an insurance company relating to a Project so long as such company is writing insurance on such Project.

In connection with the operation, maintenance, repair and replacement of the Parking Garage, the Authority shall comply with all applicable ordinances and laws of the Government of the United States of America or the State of New York in which the Parking Garage or any part thereof is located, and any requirement relating to the Parking Garage of an insurance company which is writing insurance on such part of the Project.

(Section 3.16)

Issuance of Bonds; Purposes

The Authority agrees to use its best efforts to authorize, issue, sell and deliver the Bonds, in accordance with the provisions of the Resolution, in aggregate principal amounts which, together with other moneys available therefor, are sufficient to pay the Costs of the Project. In addition to providing for the Costs of the Project, it is understood that the Resolution provides, and it is agreed, that the Authority may issue Bonds for one or more of the following purposes: (i) paying the Costs of Issuance of Bonds, (ii) making payments to the Comptroller for deposit to the Health Income Fund, (iii) making deposits to the Building and Equipment Reserve Fund, and (iv) refunding Bonds or other notes or bonds of the Authority issued in connection with the Project.

(Section 4.01)

Investment of Moneys in the Health Income Fund

Moneys in the Health Income Fund not required for immediate use may, in the discretion of the Comptroller, be invested by the Comptroller but only in obligations of or guaranteed as to principal and interest by the United States of America. 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 Health Income Fund.

(Section 4.02)

Obligations of Department; Executory Provision

Except to the extent paid from other sources, the Department promises to pay to or upon the order of the Authority, at or before the time when payable by the Authority, but only from moneys and investments in the Health Income Fund, all Costs and liabilities incurred by the Authority on account of its providing of financing for the Project, issuance by the Authority of its Bonds or otherwise as a result of the transactions contemplated by the Agreement or the Resolution, including, without limitation, in each Bond Year to pay to or upon the order of the Authority, the Annual Administrative Fee.

The Department shall not be obligated (within the meaning of Section 409(2)(c) of the Public Health Law) to pay Annual Payments, to make any other payments contemplated to be made by the Agreement (except payments into the Health Income Fund) or to perform any other duty under the Agreement requiring the expenditure of money (collectively called the "Payment Obligations") until moneys and investments to meet such Payment Obligations are on deposit in the Health Income Fund. So long as moneys and investments on deposit in the Health Income Fund are at least sufficient to meet all Payment Obligations contemplated by the Agreement to be made during the next succeeding six calendar months from the date of calculation, it is agreed that any amount in excess of such amount may be paid by the Comptroller to the Health Services Fund in accordance with Section 409 of the Public Health Law. If, however, at any time the moneys and investments in the Health Income Fund are less than the amount needed to meet all Payment Obligations contemplated by the Agreement to be made during the next succeeding six calendar months and there is no excess to be paid to the Health Services Fund, the Department shall nevertheless continue to cause all Payment Obligations to be made by the Comptroller as they become due to the extent that there are moneys and investments in the Health Income Fund. The Department shall also be obligated, to the extent that moneys are from time to time being deposited in the Health Income Fund, to accumulate moneys and investments therein until the Department is current in making all Payment Obligations contemplated by the Agreement and there is also on deposit in the Health Income Fund an amount at least sufficient to meet all Payment Obligations contemplated by the Agreement to be made during the next succeeding six calendar months from the date of calculation.

Although the Department is obligated to make Payment Obligations only to the extent that amounts are on deposit in the Health Income Fund, the Department may nevertheless make such Payment Obligations from any other source if moneys are legally available for such purpose. If the Department is not able to make a Payment Obligation because of insufficient funds in the Health Income Fund and other moneys are not legally available to the Department for such purpose, the Department agrees that it will bring this matter to the attention of the appropriate officials of the State of New York in an attempt to obtain the funds necessary to make any unpaid Payment Obligation.

Subject only to the executory provisions relating to the Department contained in the Agreement and the availability of moneys in the Health Income Fund, the obligation of the Department to make Annual Payments and other payments required by the Agreement or to cause the same to be made shall be absolute and unconditional and the amount (except to the extent the Department may receive a credit therefor under the Agreement and Resolution),

manner and time of making such payments shall not be decreased, abated, postponed or delayed for any cause or by reason of the happening or non-happening of any event, irrespective of any defense or any rights of set-off, recoupment or counterclaim the Department may otherwise have against the Authority, the Trustee or any Bondholder for any cause whatsoever including, without limiting the generality of the foregoing, failure of the Authority to complete the Project or the completion thereof with defects, failure of the Department to occupy or use the Project, any damage or destruction or condemnation of all or part of the Project, any abandonment of the Project, any declaration or finding that the Bonds, the Agreement or the Resolution are invalid or unenforceable, or any other failure or default by the Authority or the Trustee.

(Section 5.01)

Health Income Fund Covenants

As security for the payment of the Annual Payments, the Department agrees as follows:

(a) to cause the Comptroller to establish, maintain and deposit the moneys into the Health Income Fund in accordance with Section 409 of the Public Health Law and to comply with the provisions of paragraphs (c) and (d) of subsection 2 of such Law, all as the same may be amended from time to time;

(b) to pay or to cause the Commissioner to pay over, at least every two weeks, the moneys received by the Department for the care, maintenance and treatment of patients at State hospitals of the Department as enumerated in Section 403 of the Public Health Law, as the same may be amended from time to time (including revenues and grants received from the State of New York and the United States of America with respect to the Medicaid program, from the United States of America with respect to the Medicare program, from the appropriate Blue Cross-Blue Shield plan and from any other third party payer), together with moneys received from fees, including parking fees, refunds, reimbursements, sales of property and miscellaneous receipts of such hospitals (other than gifts, grants, bequests and moneys received under research contracts) and less refunds made pursuant to Law, to the Comptroller for deposit in the Health Income Fund; and

(c) to cause the Commissioner or an officer or employee of the Department designated by the Commissioner to certify or approve the necessary and appropriate vouchers in order to permit the Comptroller to make the necessary audit and warrant in order to pay moneys from the Health Income Funds, all in accordance with Section 409(4) of the Public Health Law.

(Section 5.02)

Information Regarding Health Income Fund

The Department agrees to use its best efforts to certify or to cause to be certified to the Authority and the Trustee, from time to time and upon request of either the Authority or the Trustee, the amount of money and investments on deposit in the Health Income Fund, the amount of revenues being deposited, from time to time, in such Fund, the amount of excess in the Health Income Fund being transferred, from time to time, into the Health Services Fund, and such other information concerning the Health Income Fund as the Authority or the Trustee may reasonably request.

(Section 5.03)

Amount and Payment of Annual Payments

(a) Subject to the provisions of Section 2.01 of the Agreement, the Department shall pay to the Authority the following in the amounts and on the dates set forth below:

(i) On November 15 of each Bond Year, the interest payable on Outstanding Fixed Rate Bonds on or prior to the next succeeding January 1, the interest on Outstanding Variable Interest Rate Bonds estimated by an Authorized Officer of the Authority to be payable on or prior to the next succeeding July 1, and, with respect to each November 15, one-half (1/2) of the principal and Sinking Fund Installments of Outstanding Bonds payable on the next succeeding July 1;

(ii) On May 15 of each Bond Year, the interest payable on Outstanding Fixed Rate Bonds on or prior to the next succeeding July 1, the interest on Outstanding Variable Interest Rate Bonds estimated by an Authorized Officer of the Authority to be payable on or prior to the next succeeding January 1 and, with respect to each May 15, one-half (1/2) of the principal and Sinking Fund Installments of Outstanding Bonds payable on the next succeeding July 1;

(iii) On November 15 and May 15 of each Bond Year, such amount, if any, as shall be necessary to provide for the repayment in accordance with the Agreement of amounts withdrawn from the Building and Equipment Reserve Fund;

(iv) On May 15 of each Bond Year, the amount, if any, as shall have been set forth in the certificate of the Trustee made pursuant to the Resolution as necessary on June 30 of the immediately preceding calendar year to restore the Building and Equipment Reserve Fund to the Building and Equipment Reserve Fund Requirement; and

(v) At least thirty (30) days prior to any date on which the Redemption Price of Bonds previously called for redemption is to be paid, the amount required to pay the Redemption Price of such Bonds.

The Department shall receive a credit against the payments required to be made pursuant to (i), (ii) and (v) above in an amount equal to the amount by which the amount in the Debt Service Fund on the date any such payment is to be made exceeds the amount required pursuant to the Resolution to be on deposit in such fund or required to pay the purchase price or Redemption Price, including accrued interest to the date of purchase or redemption, of Outstanding Bonds theretofore contracted to be purchased or called for redemption.

(b) Subject to the provisions of Section 2.01 of the Agreement, in addition to any other payments required by the Agreement, the Department shall pay to the Authority the following, in the amounts and on the dates set forth below:

(i) On November 15 and May 15 of each Bond Year, one-half (1/2) of the Annual Administrative Fee payable during such Bond Year and all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing or construction of one or more Projects, 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;

(ii) 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 fifteen (15) days after notice of the amount thereof is given to the Department; and

(iii) On November 15 and May 15 of each Bond Year, the amount, if any, as shall be necessary to provide for the payment by the Authority of the fees and other amounts payable to the provider of a Credit Facility or Liquidity Facility on or prior to the May 15 of such Bond Year or November 15 of the succeeding Bond Year, respectively.

(c) The Authority, for the convenience of the Department, shall furnish the Department not less than thirty (30) days prior to the date on which a payment is due pursuant to the Agreement, a statement of the amount, purpose and payment date of each payment required to be made pursuant to this section. The Authority agrees that it will provide the Department such information as may be reasonably requested by it with respect to the calculation of the Annual Administration Fee and the allocation formula utilized in connection therewith. The failure to furnish such statement or information shall not excuse the Department's failure to pay, when due, the amounts payable pursuant to the Agreement.

Any payments required to be made pursuant to Section 5.04 of the Agreement which are not paid by the Department 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 Outstanding Bonds until paid, time being of the absolute essence of this obligation.

(Section 5.04)

Direction as to Payments

The Annual Payments payable pursuant to (a) above shall be paid by the Department, when due, to the Trustee for deposit and application in accordance with the Resolution.

The additional payments payable pursuant to Section 5.04 (b) above and interest thereon and on the Annual Payments payable pursuant to the Agreement shall be paid by the Department, when due, to the Authority.

(Section 5.05)

Assignment and Pledge for Security

As security for the payment of Annual Payments and any other payments which may become due under the Agreement and as permitted by Section 409 of the Public Health Law, the Department continuously pledges, grants a security interest in, and assigns to the Authority the Health Income Fund Assets. The Authority and the Department agree that all State and local officials concerned are authorized to apportion and pay to or upon the order of the Authority all such funds so assigned and pledged. Such assignment and pledge shall continue until the date on which the liabilities of the Authority and the Department under the Agreement shall have been terminated and shall so continue even though there may be no moneys or investments in the Health Income Fund and for that reason there may be no obligation (within the meaning of the Agreement) to make payments under the Agreement. The Department represents and warrants that no part of the Health Income Fund Assets or any right to receive or collect the same or the proceeds thereof is subject to any lien, pledge, security interest or assignment, and that the Health Income Fund Assets assigned pursuant to the Agreement are legally available to provide security for the Department's performance under the Agreement. The Department agrees that it will not create or permit to be created any pledge, assignment, encumbrance, restriction, security interest in or other commitment of or with respect to the Health Income Fund Assets which is prior or equal to the pledge made by the Agreement. Notwithstanding the foregoing, nothing in the Agreement shall prevent the Comptroller from making payments to the Health Services Fund in accordance with paragraph 2(d) of Section 409 of the Public Health Law.

(Section 5.06)

Indemnification of Authority

(a) Both during the term of the Agreement and thereafter, the Department, to the extent permitted by law, shall indemnify and 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, acquisition, construction, reconstruction, rehabilitation, improvement, occupancy, or use of a Project, pursuant to the Agreement, or upon or arising out of an 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 Department, the State, a Project or the estimated sources and uses of funds, or omitted to state a material fact relating to the Department, the State, a 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 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 the Agreement shall not be deemed to relieve any insurance company which has issued a policy of insurance from its obligation to defend or indemnify the Department, 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 to the indemnifications provided by the Department under the Agreement.

(c) The Authority agrees to give the Department and the Attorney General prompt notice in writing of the institution of each such claim, action or proceeding covered by Section 5.07(a) above and to consult with the Department and the Attorney General and to obtain the written approval of the Department and the Attorney General 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 Department shall not be liable for attorney's 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 Department shall have consented thereto or unless, (i) in the reasonable judgment of the Authority (A) its or any member, officer or employee's interests and the interests of the Department 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 Department or (ii) the Department does not provide for legal representation.

(e) The Department shall not be liable for the payments pursuant to the indemnification provided for in the Agreement, to the Authority, its members, officers and employees including attorneys' fees of separate counsel retained by the Authority, its members, officers and employees beyond moneys available in the Health Income Fund.

(f) The indemnification provisions of the Agreement shall become inoperative with respect to the parties to be indemnified 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 5.07)

Consent to Pledge and Assignment by the Authority

The Department agrees that the Authority may pledge and assign to the Trustee, and create a security interest in favor of the Trustee, in the moneys to be paid to the Authority under the Agreement and, to the extent permitted by the Resolution, the Health Income Fund Assets which are pledged and assigned to the Authority. The Department further agrees that the Authority may, at the Authority's option, pledge and assign any or all of the Authority's rights and remedies under the Agreement to the extent provided in the Resolution. Any such pledge and assignment shall be limited to securing the Department's obligation to make all payments required by the Agreement and to performing all other obligations required to be performed by the Department under the Agreement.

(Section 5.08)

Events of Default

The following shall constitute an "Event of Default" under the Agreement:

(a) if any installment of an Annual Payment or any other payment required by the Agreement shall not be paid in full when due and such failure shall continue for a period of ten (10) days after the date it is due; or

(b) the Department defaults in the due and punctual performance of any other covenant contained in the Agreement and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given to the Department by the Authority or the Trustee; or

(c) as a result of any default in payment or performance required of the Department under the Agreement or any Event of Default under the Agreement, whether or not declared, continuing or cured, the Authority shall be in default in the payment or performance of any of its obligations under the Resolution or an "event of default" (as defined in the Resolution) shall have been declared under the Resolution so long as such default or event of default shall remain uncured or the Trustee or Holders of the Bonds shall be seeking the enforcement of any remedy under the Resolution as a result thereof; or

(d) if section 403 of the Public Health Law is amended in the future to delete therefrom one or more of the Department's hospital facilities, which are named therein on the effective date of the Agreement; or

(e) if, for any reason, the moneys which the Commissioner is directed, by Section 409(2) (a) of the Public Health Law (as in effect on the effective date of the Agreement), to pay to the Comptroller to be deposited by the Comptroller in the Health Income Fund are not paid to the Comptroller and deposited in the Health Income Fund; or

(f) if, for any reason, the Comptroller shall not have on deposit the aggregate amount of money needed by the Department during the next succeeding six calendar months to make all Payment Obligations (as defined in the Agreement) contemplated by the Agreement to be paid during such period, whether or not the Department shall be obligated, within the meaning of the Agreement, to pay the same; or

(g) if the duties and responsibilities of the Comptroller under Section 409 of the Public Health Law as in effect on the effective date of the Agreement are amended or changed in a way which materially and adversely affects the payment of the Annual Payments and compliance with other obligations of the Department under the Agreement.

(Section 6.01)

Remedies

Upon the occurrence of any Event of Default, the Authority may take any one or more of the following actions:

(a) direct the Trustee to withhold any and all payments, advances and reimbursements from the proceeds of the Bonds or the Construction Fund or otherwise to which the Department may otherwise be entitled under the Agreement and in the Authority's sole discretion apply such proceeds or moneys for such purposes as are authorized by the Resolution;

(b) withhold any or all further performance under the Agreement;

(c) permit, direct or request the Trustee to liquidate all or any portion of the assets of the Building and Equipment Reserve Fund by selling the same at public or private sale in any commercially reasonable manner and apply the proceeds thereof and any dividends or interest received on investments thereof to the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds, or any other obligations or liability of the Department or the Authority arising from the Agreement or from the Resolution; and

(d) take any other action at law or in equity which may appear necessary or desirable (i) to collect the payments then due or thereafter to become due under the Agreement, or (ii) to enforce the obligations, agreements or covenants of the Department under the Agreement.

All rights and remedies given or granted to the Authority in the Agreement are, to the extent permitted by law, cumulative, non- exclusive and in addition to any and all rights and remedies that the Authority may have or may be given by reason of any law, statute, ordinance or otherwise, and no failure to exercise or delay in exercising any remedy shall effect a waiver of the Authority's right to exercise such remedy thereafter.

At any time before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of any Event of Default or before the completion of the enforcement of any other remedies under the Agreement, the Authority may annul any declaration made pursuant to the Agreement and its consequences if such Events of Default shall be cured. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereto.

(Section 6.02)

Upon sixty (60) days' written notice to the Authority and the Trustee, the Department shall have the right to pay or cause to be paid to the Trustee an amount equal to the principal or Redemption Price of and interest to the next date on which all Outstanding Bonds are subject to redemption. If at any time the moneys on deposit in the Debt Service Fund, together with the Gross Proceeds in the Building and Equipment Reserve Fund, are at least equal to the principal or Redemption Price of and interest to the next date on which all Outstanding Bonds are subject to redemption, the Authority upon the written request of the Department shall give notice to the Trustee of the Authority's election to redeem all Outstanding Bonds on such redemption date.

(Section 7.01)

Termination of the Agreement and Provisions Relating Thereto

The Agreement shall remain in full force and effect until the date on which (i) the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds shall have been fully paid and discharged or provision for the payment and discharge thereof shall have been made as provided by the Resolution and (ii) all other obligations, liabilities and expenses of the Authority relating to the Project or required to be paid by the Authority in connection with such termination of the Agreement and the defeasance of the Resolution shall have been fully paid and discharged or provision satisfactory to the Authority for the payment and discharge thereof shall have been made; provided, however, that the provisions of the Agreement regarding indemnification of the Authority shall survive the termination of the Agreement. See "FINANCIAL OBLIGATIONS — Indemnification of the Authority" in this Appendix C.

(Section 7.02)

Amendment of Agreement or Resolution

The Agreement may be amended by a Supplemental Agreement executed by and between the Authority and the Department; provided, however, that any amendment contained in a Supplemental Agreement shall not

become effective unless and until (i) if the consent of Holders of Outstanding Bonds is required by the Resolution, there shall have been filed with the Trustee the written consents of the Holders of the percentage of Outstanding Bonds specified in the Resolution, (ii) if the consent of the Trustee is required by the Resolution, the Trustee has consented thereto, and (iii) an executed copy of such Supplemental Agreement certified by an Authorized Officer of the Authority shall have been filed with the Trustee.

The Authority agrees that it shall not adopt a Supplemental Resolution which amends or supplements the Resolution in any manner which requires the consent of any percentage of the Holders of Outstanding Bonds to be obtained as provided in the Resolution unless such Supplemental Agreement is approved in writing by the Department.

(Section 7.03)

Arbitrage

The Department covenants that it shall take no action, nor shall it consent to or approve the taking of any action or making any investment or the use of the proceeds of Bonds, which would cause the Bonds or any Series of Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code, and any proposed temporary or final regulations thereunder as are applicable to the Bonds at the time of such action, investment or use.

(Section 7.06)

Non-Assignability of Agreement

The Agreement may not be assigned, except to the Trustee, by any party without the consent in writing of each other party.

(Section 7.08)

Disclaimer of Personal Liability

No recourse shall be had against or liability incurred by any member of the Authority or any officer or employee of the Authority or of the State, or any person executing the Agreement for any covenants and provisions of the Agreement or for any claims based thereon.

(Section 7.11)

**SUMMARY OF CERTAIN PROVISIONS
OF THE RESOLUTION**

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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

Contract with Bondholders

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 and assignment 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 or permitted by the Resolution.

(Section 1.03)

Authorization of Bonds

Bonds of the Authority are authorized to be issued and shall be designated as “Dormitory Authority of the State of New York Revenue Bonds (Department of Health of the State of New York Revenue Bonds),” except that bonds issued to refund bonds or other obligations issued by the Authority shall be designated as “Dormitory Authority of the State of New York Department of Health of the State of New York Refunding Bonds” and the Resolution 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 solely from the Revenues, the Health Income Fund Assets and all funds and accounts (excluding the Arbitrage Rebate Fund) established by the Resolution, all 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.

(Section 2.01)

Issuance of Bonds

The issuance of Bonds shall be authorized by a Series Resolution or Series Resolutions adopted at the time of or subsequent to the adoption of the Resolution. The Authority shall, in addition to other requirements, deliver to the Trustee an opinion of Bond Counsel concerning the validity of the Resolution, any applicable Series Resolution, and the Bonds, a certificate of an Authorized Officer of the Authority stating that, upon issuance, the amount on deposit in the Health Income Fund will not be less than the amount then required to be therein, a certificate of an Authorized Officer of the Authority stating that the Authority is not in default under the Resolution (except in the case of Refunding Bonds), and a certificate of an Authorized Officer of the Department stating that the Department is not in default under the Agreement (except in the case of Refunding Bonds).

(Section 2.02)

Refunding Bonds and Additional Obligations

All or any portion of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds, one or more Series of Outstanding Bonds, a portion of a Series of Outstanding Bonds or a portion of a maturity of a Series of Outstanding Bonds or all or a portion of outstanding bonds or other obligations issued by the Authority. The Authority may issue Refunding Bonds in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Resolution of and of the Series Resolution authorizing such Series of Refunding Bonds or by the provisions of the resolution authorizing the Bonds or other obligations issued by the Authority, as the case may be.

The proceeds, including accrued interest, of Refunding Bonds shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or as determined in accordance with the Series Resolution authorizing such Refunding Bonds.

The Authority reserves the right to issue bonds, notes or any other obligations pursuant to other and separate resolutions of the Authority, so long as such bonds, notes or other obligations are not entitled to a charge or lien or right prior or equal to the charge or lien created by the Resolution, or prior or equal to the rights of the Authority and Holders of Bonds provided by the Resolution or with respect to the moneys pledged under the Resolution.

(Sections 2.04 and 2.05)

Pledge of Revenues

The proceeds from the sale of any Bonds, the Revenues, the Health Income Fund Assets and all funds and accounts established by the Resolution and by any Series Resolution, other than the Arbitrage Rebate Fund, are pledged and assigned 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 each Series Resolution all in accordance with the provisions thereof and of the Resolution. Such pledge is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of any Bonds, the Revenues, the Health Income Fund Assets and all funds and accounts established by the Resolution and by any Series Resolution and which are pledged by the 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 any Bonds, the Revenues, the Health Income Fund Assets and all funds and accounts established by the Resolution and by any Series Resolution and which are pledged under the Resolution, which pledge shall constitute a first lien thereon.

Notwithstanding anything to the contrary contained in the Resolution, the Authority may incur obligations or indebtedness to any person providing a Credit Facility or Liquidity Facility which are payable from the Revenues or Health Income Fund Assets on a parity with the Bonds and which are secured by a lien on and pledge of the Revenues or the Health Income Fund Assets equal to the lien and pledge made by the Resolution, without preference, priority or distinction over the rights of the Holders of the Bonds.

(Section 5.01)

Establishment of Funds and Accounts

The following funds and separate accounts within funds are established by the Resolution and shall be held and maintained by the Trustee, except that the Construction Fund shall be held and maintained by the Authority:

- Construction Fund;
- Debt Service Fund;
- Building and Equipment Reserve Fund; and
- Arbitrage Rebate Fund.

(Section 5.02)

Application of Proceeds and Allocation Thereof

Upon the receipt of the proceeds from the sale of a Series of Bonds, the Authority shall apply such proceeds as specified in the Resolution and in the Series Resolution authorizing such Series of Bonds or in the Series Certificate relating to such Series of Bonds.

Accrued interest or capitalized interest, if any, received upon the delivery of a Series of Bonds shall be deposited in the Debt Service Fund unless all or any portion of such amount is to be otherwise applied as specified in the Series Resolution authorizing such Series or in the Series Certificate relating to such Series.

(Section 5.03)

Application of Moneys in the Construction Fund

Upon the filing in the offices of the Authority of a certificate signed by an Authorized Officer of the Authority stating that the Project has been completed and the amount of moneys, if any, to be retained in the Construction Fund to make provision for the payment of any Costs of such Project or Costs of Issuance of Bonds issued in connection therewith then remaining unpaid, or upon the filing in the offices of the Authority of a

certificate signed by an Authorized Officer of the Department and of the Authority which states that the moneys then remaining in the account established within the Construction Fund for a Project exceeds the amount necessary to complete such Project, the moneys, if any, then remaining in such account, after making provisions for the payment of any Costs of Issuance and Costs of such Project then unpaid shall be applied by the Trustee in the following order of priority;

First: Upon the direction of an Authorized Officer of the Authority, to the Arbitrage Rebate Fund, the amount set forth in such direction;

Second: To the credit of the Building and Equipment Reserve Fund, such amount as shall be necessary to make the amount on deposit in such fund equal to the Building and Equipment Reserve Fund Requirement; and

Third: To the Debt Service Fund, at the direction of the Authority, for the payment of principal on the Bonds at the maturity date or prior redemption thereof or through the purchase thereof in accordance with the Resolution, any balance remaining.

(Section 5.04)

Deposit and Allocation of Revenues

1. The Revenues and other moneys, which, by any of the provisions of the Agreement, are required to be paid to the Trustee, shall be paid to the Trustee and upon receipt thereof shall be deposited or paid by the Trustee in the following order of priority:

First: To the credit of the Debt Service Fund (i) in the case of Revenues received during the period from the beginning of each Bond Year until December 31 thereof, the amount, if any, necessary to make the amount on deposit in the Debt Service Fund equal to one-half (1/2) of the principal and Sinking Fund Installments of Outstanding Bonds becoming due on the next succeeding July 1, the interest payable on Outstanding Bonds which bear interest at a fixed rate on the next succeeding January 1, and the amount of interest estimated by the Authority to be payable on Variable Interest Rate Bonds on and prior to the next succeeding July 1; and (ii) in the case of Revenues received thereafter and until the end of such Bond Year, the amount, if any, necessary to make the amount on deposit in the Debt Service Fund equal to the principal and Sinking Fund Installments of Outstanding Bonds becoming due on the next succeeding July 1, the interest payable on Outstanding Bonds which bear interest at a fixed rate on the next succeeding July 1, and the amount of interest estimated to be payable on Variable Interest Rate Bonds on and prior to the next succeeding January 1;

Second: In the event of any withdrawal from or deficiency in the Building and Equipment Reserve Fund, to the Building and Equipment Reserve Fund, the amount necessary to make the amount on deposit therein equal to the Building and Equipment Reserve Fund Requirement: and

Third: To the Authority such amounts as are then due and owing to the Authority pursuant to the Agreement for (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee, Paying Agents and any provider of a Credit Facility or Liquidity Facility, all as required by the Resolution, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing or construction of one or more Projects, 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) the Annual Administrative Fee 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 the Authority pursuant to the Agreement and payable under the Resolution.

2. After making the payments required by subdivision 1 above, the balance, if any, of the Revenues on the immediately succeeding July 1 shall, upon the direction of an Authorized Officer of the Authority, be paid by the Trustee to the Authority for deposit to the credit of the Construction Fund or deposited by the Trustee to the credit of the Debt Service Fund for application in accordance with the Resolution, or to both, in the respective amounts set forth in such direction. The Trustee shall notify the Authority and the Department promptly after making the payments required by subdivision 1 above of any balance remaining from such Revenues on the immediately succeeding July 1.

(Section 5.05)

Debt Service Fund

The Trustee shall on or before the Business Day preceding each interest payment date pay to itself and any other Paying Agent the amount of: (a) the interest due on all Outstanding Bonds on such interest payment date; (b) the principal and Sinking Fund Installments due on all Outstanding Bonds on such interest payment date; and (c) moneys required for the redemption or purchase of Bonds in accordance with the Resolution. The amount paid out 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 the payments due on such interest payment date to the Holders of Bonds.

The Authority may, at any time subsequent to the first day of July 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 first day of July 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 Bonds so purchased shall be cancelled 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 cancelled shall be credited against the Sinking Fund Installment due on such first day of July; provided that such Term Bond is cancelled by the Trustee prior to the date on which notice of redemption is given.

In the event that on the fifth Business Day preceding any interest payment date the amount in the Debt Service Fund shall be less than the amount required for payment of the interest on and the principal and Sinking Fund Installments of the Outstanding Bonds due and payable on such interest payment date, the Trustee shall immediately inform the Authority and the Department and the Department shall cause the Comptroller to withdraw from the Health Income Fund and deposit to the credit of the Debt Service Fund such amount as will increase the amount therein to an amount sufficient to make such payments.

In the event that on any interest payment date the amount in the Debt Service Fund shall be less than the amounts respectively required for payment of interest on the Outstanding Bonds, for the payment of principal of the Outstanding Bonds or for the payment of Sinking Fund Installments of the Outstanding Bonds due and payable on such interest payment date, the Trustee shall, after the withdrawals made pursuant to the Resolution, apply moneys in the Debt Service Fund deposited therein for the redemption of Bonds (other than moneys required to pay the Redemption Price of any Outstanding Bonds theretofore called for redemption or to pay the purchase price of Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the date of redemption or purchase) in the following order of priority, to pay interest on, principal of or Sinking Fund Installment of Bonds, respectively.

Moneys in the Debt Service Fund in excess of the amount required to pay the principal and Sinking Fund Installments of Outstanding Bonds payable on the next succeeding July 1, the interest on Outstanding Bonds payable on the next succeeding interest payment date and the purchase price or Redemption Price, including accrued interest to the date of such purchase or redemption, of Outstanding Bonds theretofore contracted to be purchased or called for redemption shall 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.

Notwithstanding the preceding paragraph, if the amount in the Debt Service Fund at any time (other than moneys required to pay the Redemption Price of any Outstanding Bonds theretofore called for redemption or to pay the purchase price of Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the date of redemption or purchase) is sufficient to make provision pursuant to the Resolution for the payment of Outstanding Bonds at the maturity or redemption date thereof, the Authority may request the Trustee to take such action consistent with the Resolution as is required thereby to deem such Bonds to have been paid within the meaning of the Resolution. The Trustee, upon receipt of such request, the irrevocable instructions required by the Resolution and irrevocable instructions of the Authority to purchase Defeasance Securities sufficient to make any deposit required thereby, shall comply with such request.

(Section 5.06)

Building and Equipment Reserve Fund

The Trustee shall deposit to the credit of the Building and Equipment Reserve Fund such proceeds of the sale of Bonds, if any, as shall be prescribed in the Series Resolution authorizing the issuance of such Series of Bonds

or the Series Certificate relating to such Series of Bonds and any Revenues or other moneys received by the Trustee which, by the provisions of the Agreement, are to be deposited in the Building and Equipment Reserve Fund.

In the event that on the fifth Business Day preceding any interest payment date and after any withdrawal made pursuant to the Resolution, the amount in the Debt Service Fund shall be less than the amount required for payment of interest on and the principal and Sinking Fund Installments of Outstanding Bonds due and payable on such interest payment date, the Trustee shall withdraw from the Building and Equipment Reserve Fund and deposit to the credit of the Debt Service Fund such amounts as will increase the amount therein to an amount sufficient to make such payment.

The amount on deposit in the Building and Equipment Reserve Fund shall be applied to defray the costs, other than of ordinary maintenance and repair, of renewing, repairing, replacing, renovating and improving any Project and its equipment and to the renewal, replacement and repair of damaged property of any Project. Such amounts shall be applied in the following order or priority: (i) First, to meet building integrity and habitability needs; (ii) Second, to meet fire and life safety requirements; and (iii) Third, to meet other Project related charges. Any payment from the Building and Equipment Reserve Fund to defray such costs shall be made by the Trustee upon receipt of a certificate of the Authority signed by an Authorized Officer, setting forth in reasonable detail the payments to be made and stating that such payments are properly payable from moneys held by the Trustee in the Building and Equipment Reserve Fund.

Moneys and investments held for the credit of the Building and Equipment Reserve Fund in excess of the Building and Equipment Reserve Fund Requirement shall be deposited or applied by the Trustee and deposited as follows and in the following order of priority: First, deposited to the credit of the Arbitrage Rebate Fund, the amount designated by the Authority; then, upon direction of an Authorized Officer of the Authority, paid to the Authority for deposit to the credit of the Construction Fund or deposited by the Trustee in the Debt Service Fund for application in accordance with the Resolution, or to both such funds, in the respective amounts set forth in such direction or otherwise shall remain in the Building and Equipment Reserve Fund.

If the moneys and investments held for the credit of the Building and Equipment Reserve Fund on June 30 of a Bond Year are less than the Building and Equipment Reserve Fund Requirement, the Trustee shall immediately notify the Authority and the Department of such deficiency and the amount necessary to make the amount on deposit in the Building and Equipment Reserve Fund equal to the Building and Equipment Reserve Fund Requirement shall be included in the Annual Payments payable by the Department during the immediately succeeding Bond Year.

(Section 5.07)

Arbitrage Rebate Fund

The Trustee shall deposit to the Arbitrage Rebate Fund any moneys delivered to it by the Department for deposit therein or transferred by it or paid to it by the Authority in accordance with the provisions of the Resolution for deposit therein. Notwithstanding any other provisions of the Resolution, the Trustee 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, and the Authority may withdraw from the Construction Fund and pay to the Trustee for deposit to the Arbitrage Rebate Fund, such amounts as shall be determined by the Authority to be necessary to comply with the Code.

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 the Debt Service Fund in accordance with the directions of such Authorized Officer.

If and to the extent required by the Code, the Authority shall periodically, at such times as may be required to comply with the Code, determine the amount of Excess Earnings with respect to each Series of Bonds and direct the Trustee to (i) transfer from any other of the funds and accounts held by the Trustee under the Resolution and deposit to the Arbitrage Rebate Fund, all or a portion of the Excess Earnings 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 5.08)

Application of Money 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, together with any Gross Proceeds held in the Building and Equipment Reserve Fund, are sufficient 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 of redemption when all such Bonds are redeemable, the Trustee shall so notify the Authority and the Department. Upon receipt of such notice, the Authority may direct the Trustee to redeem all such Outstanding Bonds. The Trustee shall, upon receipt of such request in writing by the Authority, proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds by the Resolution and by each Series Resolution.

(Section 5.10)

Transfer of Investments

Whenever moneys in any fund or account established by the Resolution or by any Series Resolution are to be paid in accordance with the Resolution or any Series Resolution to another such fund or account, such payment may be made, in whole or in part, by transferring to such other fund or account investments held as part of the fund or account from which such payment is to be made, whose value, together with the moneys, if any, to be transferred, is at least equal to the amount of the payment then to be made, provided that no such transfer of investments would result in a violation of any investment standard or restriction applicable to moneys in such fund or in violation of the Resolution relating to the exclusion from gross income of the interest from the Bonds.

(Section 5.11)

Computation of Assets of Certain Funds

The Trustee, as promptly as practicable (i) after the end of each calendar month, (ii) upon the request of the Authority, and (iii) at such other times as may be necessary in connection with a withdrawal and deposit made pursuant to the Resolution shall compute the value of the assets in the Building and Equipment Reserve Fund, in the case of the requirement described in clause (i) above, on the last day of each such month, in the case of a request described in clause (ii) above, at the date of such request, or, in the case of a withdrawal and deposit, at the date of such withdrawal and deposit, and notify the Authority and the Department as to the results of such computation and the amount by which the value of the assets in the Building and Equipment Reserve Fund exceeds or is less than the Building and Equipment Reserve Fund Requirement.

(Section 5.12)

Security for Deposits

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

Moneys held under the Resolution in any fund or account established thereby or by a Series Resolution, if permitted by law, shall, as nearly as may be practicable, be invested in Government Obligations or Exempt Obligations which, at the time such investment is made, are rated, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, by Moody's and S&P's, or, if such obligations are not rated by Moody's and S&P's, by Moody's or S&P's, in the highest rating category of such rating service or services for such Exempt Obligation or, if such Exempt Obligations are rated by neither Moody's nor S&P's, have been assigned a comparable rating by another nationally recognized rating service; provided 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. 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.

In lieu of the investments of moneys in obligations authorized in the Resolution, the Trustee shall, to the extent permitted by law, upon direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority, invest moneys in the Building and Equipment Reserve Fund, and the Authority may, to the extent permitted by law, invest moneys in the Construction Fund, in (i) interest-bearing time deposits, certificates of deposit, or other similar investment arrangements including, but not limited to, written repurchase agreements relating to Government Obligations with banks, trust companies, savings banks, savings and loan associations, or securities dealers approved by the Authority the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, (ii) Exempt Obligations or (iii) Investment Agreements; provided, that (w) each such investment shall permit the moneys so deposited or invested to be available for use at the times at, and in the amounts in, which the Authority reasonably believes such moneys will be required for the purposes of the Resolution, (x) all moneys in each time deposit, certificate of deposit, repurchase agreement or other similar investment arrangement shall be continuously and fully secured by ownership of or a security interest in obligations in which moneys may be invested pursuant to the provisions of the Resolution (other than obligations of any state or territory of the United States of America, any political subdivision thereof, or any agency, authority, public benefit corporation or instrumentality of any such state, territory or political subdivision) of a market value determined by the Trustee or its agent in the case of the Building and Equipment Reserve Fund, or by the Authority or its agent in the case of the Construction Fund, on a daily valuation equal to the amount so invested, including interest accrued thereon, (y) the obligations which secure such time deposit or certificate of deposit or which are the subject of a repurchase agreement or other similar investment arrangement shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority with respect to such investment made by the Trustee, or by an agent of the Authority with respect to such investment made by the Authority, and (z) the obligations which secure such time deposit or certificate of deposit or which are the subject of a repurchase agreement or other similar investment arrangement shall be free and clear of claims of any other person.

Obligations purchased or other investments made as an investment of moneys in any fund or account held by the Trustee or the Authority under the provisions of the Resolution shall be deemed at all times to be a part of such fund or account and the income earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund or account.

In computing the amount in any fund or account held by the Trustee or the Authority under the Resolution, obligations purchased as an investment of moneys therein or held therein shall be valued at the market value thereof, plus accrued interest, except that the Building and Equipment Reserve Fund shall be valued at the lower of cost of such investments or the par value thereof, plus accrued interest.

The Authority in its discretion may cause the Trustee to, and upon the direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority, the Trustee shall, sell, present for redemption or exchange any investment purchased pursuant to the Resolution and the proceeds thereof may be reinvested as provided in the Resolution. Except as otherwise provided in the Resolution, any investment purchased by the Trustee or the Authority pursuant to the Resolution shall be sold at the best price obtainable, or presented for redemption or exchange, whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account for which such investment was made. The Trustee shall advise the Authority in writing, on or before the seventh day of each calendar month, of the amounts required to be on deposit in each fund and account held by it 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 the Resolution. 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.

No part of the proceeds of the Bonds or any other funds of the Authority shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148(a) of the Code.

(Section 6.02)

Payment of Principal and Interest

The Authority shall pay or cause to be paid the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on every Bond of each Series on the date and at the places and in the manner provided in the Bonds according to the true intent and meaning thereof.

(Section 7.01)

Accounts and Audits

The Authority shall keep proper Books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries shall be made of its transactions relating to each Series of Bonds, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of the State, the Trustee or of any Holder of a Bond or his representative duly authorized in writing. The Authority shall cause such books and accounts to be audited annually after the end of its fiscal year by a nationally recognized independent public accountant selected by the Authority. Annually within thirty (30) days after receipt by the Authority of the report of such audit, a signed copy of such report shall be furnished to the Trustee and the Department. 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; a statement that the balances in the Building and Equipment Reserve Fund meet the requirements of the Resolution and of the applicable Series Resolution; and a statement that, in making such audit, no knowledge of any default in the fulfillment of any of the terms, covenants or provisions of the Resolution or of each Series Resolution was obtained, or if knowledge of any such default was obtained, a statement thereof.

(Section 7.05)

Creation of Liens

The Authority shall not create or cause to be created any lien or charge prior or equal to that of the Bonds on the proceeds from the sale of any Bonds, the Revenues, the Health Income Fund Assets or the funds and accounts established by the Resolution or by any Series Resolution which are pledged by the Resolution; provided, however, that nothing contained in the Resolution shall prevent the Authority from (i) issuing bonds, notes or other obligations under another and separate resolution so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created by the Resolution, and (ii) incurring obligations or indebtedness to any person providing a Credit Facility or a Liquidity Facility which are secured by a lien on and pledge of the Revenues or the Health Income Fund Assets which are equal to the lien and pledge thereon made by the Resolution.

(Section 7.06)

Enforcement of Duties and Obligations of the Department

The Authority shall take all legally available action to cause the Department to perform fully all duties and acts and comply fully with the covenants of the Department 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 and improvement or otherwise providing, furnishing and equipping of a Project shall be deposited in the account established within the Construction Fund for such Project.

(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. The provisions of this caption shall be subject to the provisions of Section 3.01 of the Resolution.

(Section 7.09)

Amendment of Agreement

The Agreement may not be amended, changed, modified, altered or terminated so as to materially adversely affect the interest of the Holders of Outstanding Bonds without the prior written consent of (a) the Holders of at least fifty-one percent (51%) 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 modifications or amendments, the Holders of not less than fifty-one percent (51%) in principal amount of the Bonds of each Series so affected then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Resolution; and provided, further, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment to be made by the Department which under the Agreement is required to be deposited with the Trustee or extend the time of payment thereof. The Agreement may be amended, changed, modified or altered with the consent of the Trustee but without the consent of the Holders of Outstanding Bonds to provide necessary changes in connection with the acquisition, construction, reconstruction, rehabilitation and improvement or otherwise providing, furnishing and equipping of a Project or the issuance of Bonds, to cure any ambiguity, or to correct or supplement any provisions contained in the Agreement which may be defective or inconsistent with any other provisions contained in the Resolution or in the Agreement. No amendment to the Agreement shall become effective until an executed copy thereof certified by an Authorized Officer of the Authority shall be filed with the Trustee.

For the purposes of the Resolution, a Series shall be deemed to be materially adversely affected by a modification or amendment of the Agreement if the same materially adversely affects or diminishes the rights of the Holders of the Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing provisions, Bonds of any particular Series would be materially adversely affected by any modification or amendment, and any such determination shall be binding and conclusive on the Department, the Authority and all Holders of Bonds.

For all purposes of the Resolution, the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee with respect to the extent, if any, as to which any action materially adversely affects the interests of any Holders of Bonds then Outstanding.

Notwithstanding the foregoing provisions, the Agreement may be amended or any provision thereof waived by the Authority without the consent of the Holders of Outstanding Bonds or the Trustee to permit a sale, lease or other disposition or transfer of (i) a hospital facility identified in Section 403 of the Public Health Law or a Project or part thereof or (ii) of the operations thereof, in each case including the right to all rents, profits, income, accounts and contract rights relating to or derived from the use, occupancy or operations thereof, if such sale, lease or other disposition or transfer is permitted by the Resolution as summarized herein under the heading "Abandonment, Sale, Lease or Condemnation."

(Section 7.10)

Notice as to Event of Default under Agreement

The Authority shall notify the Trustee in writing that the Department is in default under the Agreement which notice shall be given within five (5) days after the Authority has obtained actual knowledge thereof.

(Section 7.11)

Payment of Lawful Charges

The Authority shall pay or take all legally available action to cause the Department to pay all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed in respect of a Project or any part thereof or upon any Revenues, the Health Income Fund Assets or any fund or account created under the Resolution or under any Series Resolution, when the same shall become due, and shall duly observe and comply

with or cause the Department to duly observe and comply with, all valid requirements of any municipal or governmental authority relative to any part of a Project. Except as otherwise provided by the Resolution and by the Agreement, the Authority shall not create or suffer to be created any lien or charge upon the Revenues, the Health Income Fund Assets or any fund or account created under the Resolution or under any Series Resolution, except the pledge and lien of the Resolution and of the Bonds. The Authority shall pay or cause to be paid or cause to be discharged, or shall make adequate provisions to satisfy and discharge all lawful claims and demands for labor, materials, equipment, supplies or other objects which, if unpaid, might by law become a lien upon the Revenues; provided, however, that nothing in the Resolution shall require the Authority to pay or cause to be paid or discharged, or make provision for, any such lien or charge, so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

(Section 7.12)

Abandonment, Sale, Lease or Condemnation of a Project

Except as otherwise permitted by the Resolution, the Authority shall not permit the abandonment of the acquisition, design, construction, reconstruction, rehabilitation, improvement or otherwise providing and furnishing and equipping of a Project, or any sale, lease or other disposition of a Project except in accordance with the provisions of the Agreement. The proceeds of any condemnation, sale, or other disposition of a Project shall be applied by the Authority in accordance with the Agreement.

The State may sell, lease or otherwise dispose of or transfer a hospital facility identified in Section 403 of the Public Health Law or a Project or part thereof or of the operations thereof, including the right to all rents, profits, income, accounts and contract rights relating to or derived from the use, occupancy or operations thereof, if, during the twelve calendar months preceding such sale, lease, disposition or transfer, the aggregate amount of moneys received by the Department and deposited in the Health Income fund which was derived from the care, maintenance and treatment of patients at the State hospitals enumerated in Section 403 of the Public Health Law not so sold, leased, disposed of or transferred (including revenues and grants received from the State and the United States of America with respect to the Medicare program, from the appropriate Blue Cross - Blue Shield plan and from any other third party payer), together with moneys received from fees, including parking fees, refunds, reimbursements, sales of property and miscellaneous receipts of such State hospitals (other than gifts, grants, bequests and moneys received under research contracts), less refunds made pursuant to law, was at least equal to the amount of principal and Sinking Fund Installments of and interest on Outstanding Bonds payable in the then current or any future calendar year.

(Section 7.13)

Tax Exemption; Rebates

In order to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Bonds of each Series, the Authority shall comply with the provisions of the Code applicable to the Bonds of a Series, including without limitation the provisions of the Code relating to the computation of the yield on investments of the Gross Proceeds of a Series of Bonds, reporting of earnings on the Gross Proceeds of a Series of Bonds, and rebates of Excess Earnings to the Department of the Treasury of the United States of America. In furtherance of the foregoing, the Authority shall comply with the letter of instructions, to be delivered by Bond Counsel at the time the Bonds of a Series are issued as to compliance with the Code with respect to such Series of Bonds, as such letter may be amended from time to time, as a source of guidance for achieving compliance with the Code.

The Authority shall not take any action or fail to take any action which would cause the Bonds of a Series to be "arbitrage bonds" within the meaning of Section 148(a) of the Code.

Notwithstanding any other provision of the Resolution to the contrary, the Authority's failure to comply with the provisions of the Code applicable to the Bonds of a Series shall not entitle the Holder of Bonds of any other Series, or the Trustee acting on their behalf, to exercise any right or remedy provided to Holders of Bonds hereunder based upon the Authority's failure to comply with the provisions of the Resolution or of the Code.

(Section 7.14)

Modification and Amendment Without Consent

The Authority may adopt at any time or from time to time Series Resolutions or Supplemental Resolutions, 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 or funds; (f) To modify any of the provisions of the Resolution or of any previously adopted Series Resolution in any other respect, 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 concerning investment of funds in any respect, provided that such modification shall not permit the investment of moneys in the Debt Service Fund in any manner inconsistent with the provisions of the Resolution and shall not result in the reduction by Moody's or S&P's of the ratings assigned thereby to any of the Outstanding Bonds; (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 Holders of the Bonds in any material respect; or (i) To modify the Project as described in an exhibit attached to a Series Resolution or Series Certificate to include additional items or to delete items contained therein, provided that no amendment adding items to the Project shall become effective until the Authority and the Trustee shall have received an opinion of Bond Counsel that such amendment will not cause interest on any Bonds to be includible in gross income for federal income tax purposes.

(Section 9.01)

Supplemental Resolutions Effective With Consent of Holders of Bonds

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 the Holders of Bonds 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.

(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 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 is authorized to accept delivery of a certified copy of any Series Resolution or Supplemental Resolution permitted or authorized pursuant to the provisions of the 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)

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 provided in the Resolution, (i) of the Holders of at least two-thirds (2/3) in principal amount of the Bonds Outstanding at the time such consent is given, (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 two-thirds (2/3) 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 two-thirds (2/3) 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 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 caption. 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.

(Section 10.01)

Consent of Holders of Bonds

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Resolution to take effect when and as provided in the Resolution. 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 Holders of Bonds for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to the Holders of Bonds (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 provided in the Resolution). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of the Holders of the percentages of Outstanding Bonds in accordance with the provisions of the Resolution 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 provided in the Resolution. 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 Holder of Bonds shall be binding upon the Holder of the 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 Holder of such Bonds giving such consent or a Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee provided in the Resolution 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 the 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 the Resolution, shall be given to the Holders of Bonds by the Authority by mailing such notice to the Holders of Bonds 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 described is filed. The Authority shall file with the Trustee proof of the mailing of such notice, and, if the same shall have been published, of the publication thereof (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in the Resolution). A transcript, consisting of the papers required or permitted by the Resolution 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 publication is required, 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.

(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 Holders of Bonds either by mailing or publication shall be required.

(Section 10.03)

Events of Default

Events of default under the Resolution include: (a) failure of the Authority to pay the principal, Sinking Fund Installments or Redemption Price of any Bond when the same shall become due and payable either at maturity or by proceedings for redemptions or otherwise; (b) failure of the Authority to pay an installment of interest when the same shall become due and payable; (c) default in the due and punctual performance of the covenant regarding tax exemption and compliance with the Code contained in the Resolution and, as a result thereof, the interest on the Bonds of a Series shall no longer be excluded from gross income under Section 103 of the Code; (d) or default in the due and punctual performance of any of the other covenants, conditions, agreements and provisions contained in the Bonds or in the Resolution 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.

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default, other than an event of default described in clause (c) under the caption "Events of Default" above, 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 and the interest accrued thereon to be due and payable immediately. At the expiration of thirty (30) days from the giving of notice of such declaration, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in the Bonds or any Series Resolution 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 may 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 annul such declaration and its consequences if the requirements of the Resolution are met.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default, the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, or, in the case of a happening and continuance of an event of default described in clause (c) under the caption "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 concerning indemnity of the Trustee), to protect and enforce its rights and the rights of the Holders of the Bonds under the laws of the State or under the Resolution or under any Series Resolution by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained hereunder or in aid or execution of any power granted under the Resolution or under any Series Resolution, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

(Section 11.04)

Limitation of Rights of Individual Bondholders

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the 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 a happening and continuance of an event of default described in clause (c) under the caption "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 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.

(Section 11.08)

Defeasance

If the Authority shall pay or cause to be paid to the Holders of the 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 the applicable Series Certificate, then the pledge of the Revenues, Health Income Fund Assets or other moneys and securities pledged to such Series of Bonds and all other rights granted to such Series of 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 securities 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 not theretofore surrendered for such payment or redemption shall be first deposited in the Arbitrage Rebate Fund in accordance with the direction of an Authorized Officer of the Authority and thereafter paid or delivered by the Trustee to the Authority free from any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Agreement.

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 the paragraph above. All Outstanding Bonds of any Series or any maturity within a Series or a portion of a maturity within a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the paragraph above 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 publish 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 without regard to reinvestment, 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 publish, as soon as practicable, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds 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 the Resolution 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 which Series of Bonds or which maturity within a Series or the principal amount of Bonds within a maturity of a Series payment of which shall be made in accordance with the Resolution. The Trustee shall select which Bonds of like Series and maturity payment of which shall be made in accordance with, and in the manner provided for in the Resolution. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to the Resolution nor principal nor 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 that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be; and 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 without regard to reinvestment, 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 of a firm of independent certified public accountants verifying the accuracy of the arithmetical computations which establish the adequacy of such moneys and Defeasance Securities for such purpose. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be first deposited in the Arbitrage Rebate Fund in accordance with the direction of an Authorized Officer of the Authority and thereafter be paid by the Trustee to the Authority, in each case free from any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Agreement.

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 the Resolution, 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 the Resolution, the Trustee shall, if requested by an Authorized Officer of the Authority, deposit the amount of such excess in the Arbitrage Rebate Fund or pay the amount of such excess to the Authority, in each case, free and clear of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Agreement.

Option Bonds shall be deemed to have been paid in accordance with the Resolution only if, in addition to satisfying the requirements of the Resolution, 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 the Resolution, 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 defeasance under the Resolution. 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 an Authorized Officer of the Authority, deposit the amount of such excess in the Arbitrage Rebate Fund or pay the amount of such excess to the Authority, in each case, free and clear of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Agreement.

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 which remain unclaimed for two (2) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after said date when such Bonds become 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 Holders of Bonds 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 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 forty (40) nor more than ninety (90) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority.

(Section 12.01)

FORM OF APPROVING OPINION OF BOND COUNSEL

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APPENDIX E

FORM OF APPROVING OPINION OF BOND COUNSEL

Upon delivery of the Series 2011A Bonds, Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, proposes to issue its legal opinion in substantially the following form:

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

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

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$48,180,000 aggregate principal amount of Department of Health of the State of New York Revenue Refunding Bonds, Series 2011A (the "Series 2011A Bonds") of the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic of the State of New York (the "State"), constituting a public benefit corporation created and existing under the Dormitory Authority Act, being Chapter 524 of the Laws of New York of 1944, as amended (the "Act").

The Series 2011A Bonds are issued under and pursuant to the Act and the Revenue Bond Resolution (Department of Health of the State of New York Revenue Bonds) adopted by the Authority on July 18, 1990, as amended to the date hereof (the "Bond Resolution"), including as supplemented by the Series 2011A Resolution Authorizing Up To \$60,500,000 Department of Health of the State of New York Revenue Refunding Bonds, Series 2011A, adopted by the Authority on December 8, 2010 (the "Series 2011A Resolution"). The Bond Resolution and the Series 2011A Resolution are herein collectively referred to as the "Resolutions." Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

The Authority is authorized to issue Department of Health of the State of New York Revenue Bonds, in addition to the Series 2011A Bonds, upon the terms and conditions set forth in the Bond Resolution and such bonds, when issued, shall, with the Series 2011A Bonds and all other bonds heretofore or hereafter issued under the Bond Resolution (collectively, the "Bonds"), be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Bond Resolution.

The Series 2011A Bonds are dated, mature, are payable, bear interest and are subject to redemption as provided in the Resolutions and the Series Certificate (as defined in the Resolutions) of the Authority fixing the terms and details of the Series 2011A Bonds.

We are of the opinion that:

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

2. The Resolutions create the valid pledge which they purport to create of the proceeds from the sale of the Bonds, the Revenues, the Health Income Fund Assets and all funds and accounts other than the Arbitrage Rebate Fund (as such terms are defined in the Bond Resolution) established by the Resolutions, subject to the provisions of the Resolutions permitting the application thereof to the purposes and on the terms and conditions permitted by the Resolutions.

3. The Series 2011A Bonds have been duly and validly authorized and issued by the Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor in the Resolutions. Pursuant to the Loan Agreement, dated as of July 18, 1990, as amended and supplemented (the "Loan Agreement"), by and between the Authority and the Department of Health of the State of New York (the "Department"), the obligations of the Department to make Annual Payments (as defined in the Bond Resolution) due to the Authority are executory to the extent of moneys available in the Health Income Fund (as defined in the Bond Resolution) and no monetary liability on account thereof is incurred by the Department beyond monies legally available in the Health Income Fund.

4. The Series 2011A Bonds shall not be a debt of the State nor shall the State be liable thereon, nor shall the Series 2011A Bonds be payable out of any funds other than those of the Authority pledged to the payment of the Series 2011A Bonds.

5. Under existing statutes and court decisions, (i) interest on the Series 2011A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2011A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, the Department and the Roswell Park Cancer Institute (the "Institute"), and we have assumed compliance by the Authority, the Department and the Institute with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2011A Bonds from gross income under Section 103 of the Code.

6. Under existing statutes, interest on the Series 2011A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

We express no opinion regarding any other Federal or state tax consequences with respect to the Series 2011A Bonds. We render this opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2011A Bonds, or the exemption from personal income taxes of interest on the Series 2011A Bonds under state and local tax law.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2011A Bonds, the Resolutions and the Loan Agreement may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed Series 2011A Bond and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,

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