**NEW ISSUE – BOOK ENTRY ONLY**

# $568,060,000
# Dormitory Authority of the State of New York
# State Personal Income Tax Revenue Bonds

**$441,895,000**
**(Education)**
**Series 2007A**

**$105,890,000**
**(Economic Development and Housing)**
**Series 2007A (Federally Taxable)**

**$20,275,000**
**(Education)**
**Series 2007B (SUNY Green Initiatives)**

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

The Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (Education), Series 2007A (the "Series 2007A Education Bonds"); the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (Education), Series 2007B (SUNY Green Initiatives) (the "Series 2007B Education Bonds" and, together with the Series 2007A Education Bonds, the "Series 2007 Education Bonds"); and the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2007A (Federally Taxable) (the "Series 2007A Economic Development Bonds" and, together with the Series 2007 Education Bonds, the "Series 2007 Bonds"), are special obligations of the Dormitory Authority of the State of New York (the "Authority").

The Series 2007 Bonds are secured by a pledge of certain payments (the "Financing Agreement Payments") to be made to the Trustee on behalf of the Authority by the State of New York (the "State") under Financing Agreements between the Authority and the State. Financing Agreement Payments are payable from amounts legally required to be deposited into the Revenue Bond Tax Fund to provide for the payment of the Series 2007 Bonds and all other State Personal Income Tax Revenue Bonds (as hereinafter defined). The Revenue Bond Tax Fund receives a statutory allocation of 25 percent of State of New York personal income tax receipts imposed by Article 22 of the Tax Law (the "New York State Personal Income Tax Receipts") as more fully described herein.

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

**The Series 2007 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2007 Bonds be payable out of any funds other than those of the Authority pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on the Series 2007 Bonds. The Authority has no taxing power.**

The Series 2007 Bonds will be issued as fixed rate obligations, fully registered, in denominations of $5,000 or any integral multiple thereof. The Series 2007 Bonds will bear interest at the rates and mature at the times shown on the inside cover page hereof. Interest on the Series 2007 Education Bonds is payable each September 15 and March 15 commencing September 15, 2007. Interest on the Series 2007A Economic Development Bonds is payable each December 15 and June 15 commencing December 15, 2007.

The Series 2007 Bonds will be initially issued under a book-entry only system and will be registered in the name of Cede & Co., as Bondholder and nominee of The Depository Trust Company, New York, New York. See "PART 7—BOOK ENTRY ONLY SYSTEM" herein. Principal and premium, if any, and interest on the Series 2007 Bonds will be payable through Deutsche Bank Trust Company Americas, New York, New York, as Trustee and Paying Agent.

The Series 2007A Education Bonds are subject to redemption prior to maturity as more fully described herein. The Series 2007B Education Bonds and the Series 2007A Economic Development Bonds are not subject to redemption prior to maturity.

In the opinion of Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, interest on the Series 2007 Education Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. Interest on the Series 2007A Economic Development Bonds will be includable in the gross income of the owners thereof for federal income tax purposes. Also, in the opinion of Bond Counsel, under existing law, interest on the Series 2007 Bonds is exempt from personal income taxes of the State of New York and its political subdivisions, including The City of New York and the City of Yonkers. See "PART 12—TAX MATTERS" for further information.

The Series 2007A Economic Development Bonds are being sold on the basis of electronic, competitive bids in accordance with the Notice of Sale dated June 21, 2007, as supplemented. The Series 2007 Education Bonds are offered, when, as and if issued and delivered to the Underwriters. The issuance of the Series 2007 Bonds is subject to approval of legality by Sidley Austin LLP, New York, New York, Bond Counsel to the Authority, and to certain other conditions. Certain legal matters are subject to the approval of Harris Beach PLLC, Albany, New York, Counsel to the Underwriters. It is expected that the Series 2007 Bonds will be available for delivery to The Depository Trust Company in New York, New York on or about July 11, 2007.

**JPMorgan** **Goldman, Sachs & Co.**

**Lehman Brothers** **M. R. Beal & Company**
**RBC Capital Markets** **UBS Investment Bank**

**A.G. Edwards** **Banc of America Securities LLC** **Bear, Stearns & Co. Inc.**
**Citi** **Merrill Lynch** **Siebert Brandford Shank & Co., LLC**

June 29, 2007

## MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS OR PRICES

### $441,895,000
### State Personal Income Tax Revenue Bonds (Education)
### Series 2007A

### Serial Bonds

| Due March 15 | Amount | Interest Rate | Yield/ Price | CUSIP Numbers† | Due March 15 | Amount | Interest Rate | Yield/ Price | CUSIP Numbers† |
|---|---|---|---|---|---|---|---|---|---|
| 2008 | $6,325,000 | 4.500% | 3.590% | 649902KV4 | 2019 | $9,600,000 | 5.000% | 4.300%†† | 649902LL5 |
| 2009 | 7,705,000 | 4.000 | 3.700 | 649902KW2 | 2019 | 2,455,000 | 4.250 | 4.300 | 649902LK7 |
| 2010 | 8,010,000 | 4.000 | 3.800 | 649902KX0 | 2020 | 12,640,000 | 5.000 | 4.330†† | 649902LM3 |
| 2011 | 8,335,000 | 5.000 | 3.880 | 649902KY8 | 2021 | 13,270,000 | 5.000 | 4.370†† | 649902LN1 |
| 2012 | 8,750,000 | 4.250 | 3.940 | 649902KZ5 | 2022 | 13,930,000 | 5.000 | 4.400†† | 649902LP6 |
| 2013 | 9,125,000 | 4.250 | 4.000 | 649902LA9 | 2023 | 14,630,000 | 5.000 | 4.430†† | 649902LQ4 |
| 2014 | 9,505,000 | 5.000 | 4.050 | 649902LB7 | 2024 | 15,360,000 | 5.000 | 4.460†† | 649902LR2 |
| 2015 | 2,200,000 | 5.500 | 4.100 | 649902LD3 | 2025 | 16,135,000 | 5.000 | 4.480†† | 649902LS0 |
| 2015 | 7,785,000 | 4.500 | 4.100 | 649902LC5 | 2026 | 16,940,000 | 5.000 | 4.490†† | 649902LT8 |
| 2016 | 5,360,000 | 4.500 | 4.160 | 649902LE1 | 2027 | 16,645,000 | 5.000 | 4.510†† | 649902LV3 |
| 2016 | 5,095,000 | 5.000 | 4.160 | 649902LF8 | 2027 | 1,145,000 | 4.500 | 99.25 | 649902LU5 |
| 2017 | 10,955,000 | 5.000 | 4.220 | 649902LG6 | 2028 | 16,575,000 | 5.000 | 4.520†† | 649902LW1 |
| 2018 | 8,750,000 | 5.000 | 4.280†† | 649902LJ0 | 2029 | 17,405,000 | 5.000 | 4.540†† | 649902LX9 |
| 2018 | 2,755,000 | 4.250 | 4.280 | 649902LH4 | 2030 | 18,275,000 | 5.000 | 4.550†† | 649902LY7 |

**$39,340,000 5.000% Term Bonds Due March 15, 2032, Yield 4.560%†† CUSIP Number 649902LZ4**

**$116,895,000 5.000% Term Bond Due March 15, 2037, Yield 4.610%†† CUSIP Number 649902MA8**

### $20,275,000
### State Personal Income Tax Revenue Bonds (Education)
### Series 2007B (SUNY Green Initiatives)

| Due March 15 | Amount | Interest Rate | Yield/ Price | CUSIP Numbers† | Due March 15 | Amount | Interest Rate | Yield/ Price | CUSIP Numbers† |
|---|---|---|---|---|---|---|---|---|---|
| 2008 | $1,290,000 | 4.250% | 3.590% | 649902MB6 | 2013 | $2,100,000 | 4.000% | 100.00 | 649902MG5 |
| 2009 | 1,795,000 | 4.000 | 3.700 | 649902MC4 | 2014 | 2,180,000 | 4.000 | 4.050 | 649902MH3 |
| 2010 | 1,865,000 | 4.000 | 3.800 | 649902MD2 | 2015 | 2,270,000 | 4.000 | 4.100 | 649902MJ9 |
| 2011 | 1,940,000 | 4.000 | 3.880 | 649902ME0 | 2016 | 2,360,000 | 4.100 | 4.160 | 649902MK6 |
| 2012 | 2,020,000 | 4.000 | 3.940 | 649902MF7 | 2017 | 2,455,000 | 4.125 | 4.220 | 649902ML4 |

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### $105,890,000
### State Personal Income Tax Revenue Bonds (Economic Development and Housing)
### Series 2007A (Federally Taxable)

| Due December 15 | Amount | Interest Rate | Yield | CUSIP Numbers† | Due December 15 | Amount | Interest Rate | Yield | CUSIP Numbers† |
|---|---|---|---|---|---|---|---|---|---|
| 2007 | $3,800,000 | 5.250% | 5.300% | 649902KK8 | 2012 | $11,225,000 | 5.500% | 5.510% | 649902KQ5 |
| 2008 | 9,090,000 | 5.250 | 5.400 | 649902KL6 | 2013 | 11,845,000 | 5.500 | 5.570 | 649902KR3 |
| 2009 | 9,565,000 | 5.500 | 5.320 | 649902KM4 | 2014 | 12,495,000 | 5.600 | 5.690 | 649902KS1 |
| 2010 | 10,090,000 | 5.500 | 5.380 | 649902KN2 | 2015 | 13,200,000 | 5.600 | 5.720 | 649902KT9 |
| 2011 | 10,645,000 | 5.500 | 5.460 | 649902KP7 | 2016 | 13,935,000 | 5.700 | 5.750 | 649902KU6 |

Purchased by **Citi**.

† CUSIP numbers have been assigned by an organization not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2007 Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2007 Bonds or as indicated above.

†† Priced at the stated yield to the March 15, 2017 optional redemption date at a redemption price of 100%.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2007 Bonds by any person in any jurisdiction in which it is unlawful for the person to make such offer, solicitation or sale. The information set forth herein has been provided by the Authority, the State and other sources which are believed to be reliable by the Authority. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in the Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the State. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2007 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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

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## PART 1--SUMMARY STATEMENT

*This Summary Statement is subject in all respects to more complete information contained in this Official Statement and should not be considered a complete statement of the facts material to making an investment decision. The offering of the Series 2007 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Summary Statement and not defined in this Summary Statement will have the meanings given to such terms elsewhere in this Official Statement.*

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| **State Personal Income Tax Revenue Bond Financing Program** | Part I of Chapter 383 of the Laws of New York of 2001, as amended from time to time (the "Enabling Act"), provides for the issuance of, and a source of payment for, State Personal Income Tax Revenue Bonds (the "State Personal Income Tax Revenue Bonds") by establishing the Revenue Bond Tax Fund (the "Revenue Bond Tax Fund") held separate and apart from all other moneys of the State in the joint custody of the Commissioner of Taxation and Finance and the Comptroller of the State (the "State Comptroller").<br><br>The Enabling Act authorizes the Dormitory Authority of the State of New York (the "Authority"), the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency, the New York State Thruway Authority and the New York State Urban Development Corporation (doing business as the Empire State Development Corporation) (collectively, the "Authorized Issuers") to issue State Personal Income Tax Revenue Bonds for certain authorized purposes (the "Authorized Purposes"). All five Authorized Issuers have adopted one or more general resolutions and have executed financing agreements with the Director of the Division of the Budget of the State (the "Director of the Budget") pursuant to the Enabling Act. The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds issued by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. References to financing agreements, financing agreement payments and general resolutions contained in this Official Statement mean generically the financing agreements, financing agreement payments and general resolutions of all Authorized Issuers, including the Authority.<br><br>State Personal Income Tax Revenue Bonds issued by an Authorized Issuer are secured by a pledge of (i) the payments made pursuant to a financing agreement entered into by such Authorized Issuer with the Director of the Budget and (ii) certain funds held by the applicable trustee or Authorized Issuer under a general resolution and the investment earnings thereon; which together constitute the pledged property under the applicable general resolution. |
| **Purpose of Issue; Security for Series 2007 Bonds** | The Series 2007 Bonds are being issued to provide the Authority with funds to finance certain projects relating to education, environmental retrofit, green initiatives, economic development and other State supported financing activities. These include certain education facilities, grants to local school districts to pay costs of certain school facility projects over and above existing State school building aid apportionments in connection with the Expanding Our Children's Education and Learning Program (the "EXCEL Program"), certain State facilities and economic development programs and projects. In addition, proceeds of the Series 2007 Bonds will be used to pay all or a portion of the costs of issuance of the Series 2007 Bonds. See "PART 2–INTRODUCTION" and "PART 5–THE PROJECTS" for a more complete description of the application of the proceeds |

**Purpose of Issue; Security for Series 2007A Bonds (continued)**

of the Series 2007 Bonds.

The Series 2007 Bonds are special obligations of the Authority, secured by a pledge of the financing agreement payments (the "Financing Agreement Payments") to be made by the State Comptroller to the Trustee pursuant to the applicable financing agreement entered into by the Authority with the Director of the Budget (the "Financing Agreement").

**The Series 2007 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2007 Bonds be payable out of any funds other than those of the Authority pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of or interest on the Series 2007 Bonds. The Authority has no taxing power.**

**The Series 2007 Bonds are not secured by the Projects (as hereinafter defined) or any interest therein.**

**Sources of Payment and Security for State Personal Income Tax Revenue Bonds-Revenue Bond Tax Fund Receipts**

The Enabling Act provides that 25 percent of the receipts from the New York State personal income tax, which exclude refunds owed to taxpayers (the "New York State Personal Income Tax Receipts"), shall be deposited in the Revenue Bond Tax Fund. Legislation effective April 1, 2007 increased deposits to the Revenue Bond Tax Fund by amending the Enabling Act to provide that deposits to the Revenue Bond Tax Fund be calculated before the deposit of New York State personal income tax receipts to the School Tax Relief Fund (the "STAR Fund"). Prior to such date, New York State Personal Income Tax Receipts were calculated net of both refunds owed to taxpayers and STAR Fund deposits.

The State Comptroller is required by the Enabling Act to deposit in the Revenue Bond Tax Fund all of the receipts collected from payroll withholding taxes (the "Withholding Component") until an amount equal to 25 percent of the estimated monthly New York State Personal Income Tax Receipts has been deposited into the Revenue Bond Tax Fund (the "Revenue Bond Tax Fund Receipts").

New York State Personal Income Tax Receipts, the Withholding Component and the Revenue Bond Tax Fund Receipts for State Fiscal Years 2005-06 through 2007-08 are as follows

| State Fiscal Year | New York State Personal Income Tax Receipts | Withholding Component | Revenue Bond Tax Fund Receipts |
|---|---|---|---|
| | *$ in billions* | | |
| 2005-06 ................. | $27.6 | $24.8 | $6.9 |
| 2006-07.................. | 30.6 | 26.8 | 7.6 |
| 2007-08*................. | 36.8 | 28.6 | 9.2** |

* As estimated in the 2007-08 Enacted Budget.
** Reflects legislation effective April 1, 2007 that would calculate Revenue Bond Tax Fund receipts prior to the deposit of New York State personal income tax receipts to the STAR Fund.

Over the ten-year period beginning in State Fiscal Year 1997-98, the Withholding Component has, on average, accounted for approximately 90 percent of New York State Personal Income Tax Receipts.

The Series 2007 Bonds are special obligations of the Authority being secured by, among other things, the Authority's pledge of Financing Agreement Payments to

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| **Sources of Payment and Security for State Personal Income Tax Revenue Bonds-Revenue Bond Tax Fund Receipts (continued)** | be made by the State Comptroller to the Trustee on behalf of the Authority and certain funds held by the Trustee under the Authority's applicable State Personal Income Tax Revenue Bonds General Resolution (collectively, the "General Resolutions").<br><br>The Series 2007 Bonds are issued on a parity with $3.727 billion of the Authority's State Personal Income Tax Revenue Bonds currently outstanding and all other Bonds which may be issued under the General Resolutions. All State Personal Income Tax Revenue Bonds are on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation by the State.<br><br>Financing Agreement Payments are made from certain personal income taxes imposed by the State of New York on a statewide basis and deposited, as required by the Enabling Act, to the Revenue Bond Tax Fund. The Financing Agreement Payments are to be paid by the State Comptroller to the applicable trustees on behalf of the Authorized Issuers from amounts deposited to the Revenue Bond Tax Fund. Financing Agreement Payments are to equal amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Revenue Bonds. **All payments required by financing agreements entered into by the State are executory only to the extent of the revenues available in the Revenue Bond Tax Fund. The obligation of the State to make financing agreement payments is subject to the State Legislature (the "State Legislature") making annual appropriations for such purpose and such obligation does not constitute or create a debt of the State, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal or moral obligation to appropriate money for payments due under any financing agreement.**<br><br>The Enabling Act provides that: (i) no person (including the Authorized Issuers or the holders of State Personal Income Tax Revenue Bonds) shall have any lien on amounts on deposit in the Revenue Bond Tax Fund; (ii) Revenue Bond Tax Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax.<br><br>For additional information, see "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS" and "PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND."<br><br>**The Series 2007 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2007 Bonds be payable out of any funds other than those of the Authority pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on the Series 2007 Bonds. The Authority has no taxing power.** |

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| **Set Aside for Purpose of Making Financing Agreement Payments** | The Enabling Act, general resolutions and financing agreements provide procedures for setting aside Revenue Bond Tax Fund Receipts designed to ensure that sufficient amounts are available in the Revenue Bond Tax Fund to make financing agreement payments to the applicable trustees on behalf of all Authorized Issuers, subject to annual appropriation by the State Legislature.<br><br>The Enabling Act requires the Director of the Budget to annually prepare a certificate (which may be amended as necessary or required) which estimates monthly Revenue Bond Tax Fund Receipts anticipated to be deposited to the Revenue Bond Tax Fund and the amount of all set-asides necessary to make all financing agreement payments of all the Authorized Issuers. The Director of the Budget has prepared such certificate for the 2007-08 State Fiscal Year.<br><br>See "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS." |
| **Availability of General Fund to Satisfy Set-Aside of Revenue Bond Tax Fund Receipts** | If at any time the amount of Revenue Bond Tax Fund Receipts set aside, as certified by the Director of the Budget, is insufficient to make all appropriated financing agreement payments on all State Personal Income Tax Revenue Bonds, the State Comptroller is required by the Enabling Act, without further appropriation, to immediately transfer amounts from the General Fund of the State to the Revenue Bond Tax Fund sufficient to satisfy the cash requirements of the Authorized Issuers. Subject to annual appropriation, amounts so transferred to the Revenue Bond Tax Fund will be applied to pay the required financing agreement payments. |
| **Moneys Held in Revenue Bond Tax Fund if State Fails to Appropriate or Pay Required Amounts** | In the event that (i) the State Legislature fails to appropriate all amounts required to make financing agreement payments on State Personal Income Tax Revenue Bonds to all Authorized Issuers or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on any State Personal Income Tax Revenue Bonds, the Enabling Act requires that all of the receipts from the Withholding Component shall continue to be deposited in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 25 percent of annual New York State Personal Income Tax Receipts or six billion dollars ($6,000,000,000). Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or use of such moneys by the State for any other purpose (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees, on behalf of each Authorized Issuer, including the Authority.<br><br>After the required appropriations and financing agreement payments have been made, excess moneys in the Revenue Bond Tax Fund are paid over and distributed to the credit of the State's General Fund. See "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS—Moneys Held in the Revenue Bond Tax Fund." |

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| **Additional Bonds and Debt Service Coverage** | As provided in each of the general resolutions, additional bonds may be issued only if the amount of Revenue Bond Tax Fund Receipts for any 12 consecutive calendar months ended not more than six months prior to the date of such calculation, as certified by the Director of the Budget, is at least 2.0 times the maximum Calculated Debt Service on all outstanding State Personal Income Tax Revenue Bonds, additional State Personal Income Tax Revenue Bonds proposed to be issued and any additional amounts payable with respect to parity reimbursement obligations.<br><br>Subject to (i) statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and (ii) the additional bonds test described above, the Authority and other Authorized Issuers may issue additional State Personal Income Tax Revenue Bonds. In accordance with the additional bonds test above, Revenue Bond Tax Fund Receipts of $7.6 billion are available to pay financing agreement payments, which amount represents approximately 8.4 times the maximum annual Debt Service for all Outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2007 Bonds.<br><br>Assuming the issuance of approximately $350 million of State Personal Income Tax Revenue Bonds expected to be issued by the New York State Thruway Authority shortly after the delivery date of the Series 2007 Bonds (the "Additional Thruway Authority PIT Bonds"), the Revenue Bond Tax Fund Receipts that would be available in Fiscal Year 2007-08 to pay financing agreement payments would be approximately 8.2 times the maximum aggregate Debt Service for all Outstanding State Personal Income Tax Revenue Bonds, including the projected debt service on the Series 2007 Bonds and the Additional Thruway Authority PIT Bonds.<br><br>As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been met. See "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS—Additional Bonds."<br><br>As of June 1, 2007, approximately $8.53 billion of State Personal Income Tax Revenue Bonds were outstanding. No additional State Personal Income Tax Revenue Bonds have heretofore been issued since that date. |
| **Continuing Disclosure** | In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, all Authorized Issuers, the State and each applicable trustee, including the Trustee have entered into a Master Continuing Disclosure Agreement. See "PART 18—CONTINUING DISCLOSURE." |

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DORMITORY AUTHORITY - STATE OF NEW YORK
DAVID D. BROWN, IV - EXECUTIVE DIRECTOR

515 BROADWAY, ALBANY, N.Y. 12207
GAIL GORDON, ESQ. – CHAIR

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# OFFICIAL STATEMENT

**Relating to**

**$568,060,000**
**DORMITORY AUTHORITY OF THE STATE OF NEW YORK**
**STATE PERSONAL INCOME TAX REVENUE BONDS**

**$441,895,000**
**Series 2007A**
**(Education)**

**$105,890,000**
**(Economic Development and Housing)**
**Series 2007A (Federally Taxable)**

**$20,275,000**
**Series 2007B (SUNY Green Initiatives)**
**(Education)**

## PART 2—INTRODUCTION

The purpose of this Official Statement, including the cover page, the inside cover page and appendices, is to set forth certain information concerning the Dormitory Authority of the State of New York (the "Authority"), a public benefit corporation of the State of New York (the "State"), in connection with the offering by the Authority of its $441,895,000 State Personal Income Tax Revenue Bonds (Education), Series 2007A (the "Series 2007A Education Bonds"), $20,275,000 State Personal Income Tax Revenue Bonds (Education), Series 2007B (SUNY Green Initiatives) (the "Series 2007B Education Bonds" and, together with the Series 2007A Education Bonds, the "Series 2007 Education Bonds"), and $105,890,000 State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2007A (Federally Taxable) (the "Series 2007A Economic Development Bonds" and, together with the Series 2007 Education Bonds, the "Series 2007 Bonds"). The interest rates, maturity dates, and prices or yields of each series of the Series 2007 Bonds being offered hereby are set forth on the inside cover page.

This Official Statement also summarizes certain information concerning the provisions of the State Finance Law with respect to the issuance of State Personal Income Tax Revenue Bonds (the "State Personal Income Tax Revenue Bonds"), including the Series 2007 Bonds, and the statutory allocation of 25 percent of the receipts from the New York State Personal Income Tax imposed by Article 22 of the New York State Tax Law ("Tax Law") which, pursuant to Section 171-a of the Tax Law (the "New York State Personal Income Tax Receipts"), are required to be deposited in the Revenue Bond Tax Fund to provide for the payment of State Personal Income Tax Revenue Bonds. Such New York State Personal Income Tax Receipts currently exclude refunds owed to taxpayers.

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

The Authority is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public-purpose facilities for certain educational, governmental and not-for-profit institutions. The Authority has no taxing power. See "PART 10—THE AUTHORITY."

The Series 2007 Bonds are authorized to be issued pursuant to Part I of Chapter 383 of the Laws of New York of 2001, as amended from time to time (the "Enabling Act"), and the Dormitory Authority Act, constituting Title 4 of Article 8 of the Public Authorities Law of the State of New York, as amended and supplemented (the "Authority Act"), and other provisions of State law. The Enabling Act authorizes the Authority, the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency, the New York State Thruway Authority and the New York State Urban Development Corporation (collectively, the "Authorized Issuers") to issue State Personal Income Tax Revenue Bonds for certain purposes for which State-supported Debt (as defined by Section 67-a of the State Finance Law and as limited by the Enabling Act) may be issued ("Authorized Purposes").

The Series 2007 Education Bonds are additionally authorized under the Authority's State Personal Income Tax Revenue Bonds (Education) General Bond Resolution, adopted by the Authority on July 24, 2002 (the "Education General Resolution") as supplemented by the Authority's Supplemental Resolution 2007-1 Authorizing State Personal Income Tax Revenue Bonds (Education) (the "Series 2007-1 Education Supplemental Resolution") and Supplemental Resolution 2007-2 Authorizing State Personal Income Tax Revenue Bonds (Education) relating solely to bonds to fund EXCEL Projects (the "Series 2007-2 Education Supplemental Resolution" and, together with the Series 2007-1 Education Supplemental Resolution, the "Series 2007 Education Supplemental Resolutions"), each adopted by the Authority on May 30, 2007 (such Education General Resolution, together with the Series 2007 Education Supplemental Resolutions, being herein, except as the context otherwise indicates, collectively referred to as the "Education Resolution," and any bonds issued pursuant to the Education Resolution, including the Series 2007 Education Bonds, being herein referred to as the "Education Bonds").

The Series 2007A Economic Development Bonds are additionally authorized under the Authority's State Personal Income Tax Revenue Bonds (Economic Development and Housing) General Bond Resolution, adopted by the Authority on January 22, 2003 (the "Economic Development General Resolution"), as supplemented by the Authority's Supplemental Resolution 2006-1 Authorizing State Personal Income Tax Revenue Bonds (Economic Development and Housing), adopted by the Authority on January 25, 2006 (the "Series 2007 Economic Development Supplemental Resolution") (such Economic Development General Resolution, together with the Series 2007 Economic Development Supplemental Resolution, being herein, except as the context otherwise indicates, called the "Economic Development Resolution," and any bonds issued pursuant to the Economic Development Resolution, including the Series 2007A Economic Development Bonds, being herein referred to as the "Economic Development Bonds").

The Series 2007 Bonds, and any additional series of Bonds which have heretofore been issued or may hereafter be issued under the respective General Resolutions, will be equally and ratably secured thereunder. The Series 2007 Bonds and all other State Personal Income Tax Revenue Bonds issued by an Authorized Issuer are secured by a pledge of (i) the payments made pursuant to one or more financing agreements entered into by such Authorized Issuer with the Director of the Division of the Budget of the

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

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

All State Personal Income Tax Revenue Bonds are on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation by the State. As of June 1, 2007, approximately $8.53 billion of State Personal Income Tax Revenue Bonds were Outstanding. See "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS—Series 2007 Bonds" and "—Additional Bonds."

The Series 2007A Education Bonds are being issued for the purposes of financing (i) capital expenditures for various State University of New York facilities; (ii) the State's 50 percent share of the cost of various Upstate Community College capital expenditures; (iii) grants to local school districts to pay costs of certain school facilities over and above existing school aid apportionments in connection with the EXCEL Program; (iv) an archival facility for the New York State Education Department and (v) all or a portion of the cost of issuance of the Series 2007A Education Bonds. **The Series 2007A Education Bonds are not secured by the Projects or any interest therein.**

The Series 2007B Education Bonds are being issued for the purposes of financing environmental retrofit projects at various State University of New York facilities. The projects to be undertaken pursuant to this initiative include those promoting the reduction of (i) energy or fuel consumption; (ii) water consumption; (iii) harmful emissions, including greenhouse gases, and (iv) energy demand costs. It is anticipated that the Authority, the State University of New York and the State University Construction Fund will undertake environmental retrofit projects only if estimates demonstrate that the project will result in annualized savings in an amount that is at least equal to the annual costs of debt associated with the project. Additionally, all or a portion of the cost of issuance of the Series 2007B Education Bonds will be financed with the proceeds thereof. **The Series 2007B Education Bonds are not secured by the Projects or any interest therein.**

The Series 2007A Economic Development Bonds are being issued for the purpose of financing (i) grants for certain research and technology initiatives as part of the Generating Employment Through New York Science Program ("Gen*NY*sis"), including but not limited to, reimbursing the State for money heretofore advanced by it for financing Gen*NY*sis grants; (ii) grants for certain biotechnology or high-tech projects, education, transportation, workforce or community economic development projects, as part of the Rebuilding the Empire State Through Opportunities in Regional Economies ("RESTORE") Program, including, but not limited to, reimbursing the State for money heretofore advance by it for financing RESTORE grants; (iii) grants for certain general community capital improvement purposes, including arts, cultural, childcare, transportation and educational projects as part of the Community Capital Assistance Program ("CCAP"), including, but not limited to, reimbursing the State for money heretofore advanced by it for financing CCAP grants; and (iv) all or a portion of the cost of issuance of the Series 2007A Economic Development Bonds. **The Series 2007A Economic Development Bonds are not secured by the Projects or any interest therein.**

**The Series 2007 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2007 Bonds be payable out of any funds other than those of the Authority pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on the Series 2007 Bonds. The Authority has no taxing power.**

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

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

### The Revenue Bond Tax Fund

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

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

### Series 2007 Bonds

The Series 2007 Bonds are special obligations of the Authority, secured by and payable solely from Financing Agreement Payments payable by the State Comptroller to Deutsche Bank Trust Company

Americas, as Trustee and Paying Agent (the "Trustee" or "Paying Agent") on behalf of the Authority in accordance with the terms and provisions of the applicable Financing Agreement by and between the Authority and the Director of the Budget, subject to annual appropriation by the State Legislature, and the Funds and accounts established under the applicable General Resolution (other than the Rebate Fund and other Funds as provided in such Resolution). Copies of the forms of the Financing Agreements relating to the Series 2007 Bonds are included as Appendix C hereto. The Series 2007 Bonds are entitled to a lien, created by a pledge under the applicable General Resolution, on the Pledged Property.

The Enabling Act permits the Authority and the other Authorized Issuers to issue additional State Personal Income Tax Revenue Bonds subject to statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and the additional bonds test described herein included in each of the general resolutions authorizing State Personal Income Tax Revenue Bonds. In accordance with the additional bonds test, Revenue Bond Tax Fund Receipts of $7.6 billion are available to pay financing agreement payments, which amount represents approximately 8.4 times the maximum annual Debt Service for all Outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2007 Bonds. Assuming the issuance of approximately $350 million of State Personal Income Tax Revenue Bonds expected to be issued by the New York State Thruway Authority shortly after the delivery of the Series 2007 Bonds (the "Additional Thruway Authority PIT Bonds"), such Revenue Bond Tax Receipts would be approximately 8.2 times the maximum aggregate Debt Service for all Outstanding Personal Income Tax Revenue Bonds, including projected debt service on the Series 2007 Bonds and the Additional Thruway Authority PIT Bonds. As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been met. See "—Additional Bonds" below.

The revenues, facilities, properties and any and all other assets of the Authority of any name and nature, other than the Pledged Property, may not be used for, or, as a result of any court proceeding or otherwise applied to, the payment of State Personal Income Tax Revenue Bonds, any redemption premium therefor or the interest thereon or any other obligations under the applicable General Bond Resolution, and under no circumstances shall these be available for such purposes. See "PART 10—THE AUTHORITY" for a further description of the Authority.

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

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

The Enabling Act provides that:

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

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

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

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

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

4. In the case of financing agreement payments due on a more frequent basis, monthly Revenue Bond Tax Fund Receipts shall be set aside monthly until such amount is, in accordance with the certificate of the Director of the Budget, sufficient to pay the required payment on each issue on or before the date such payment is due.

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

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

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

**Set Aside of Revenue Bond Tax Fund Receipts**

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

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

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

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

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

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**Flow of Revenue Bond Tax Fund Receipts**

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

**On or Before October 1**

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

↓

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

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

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

↓

**Beginning on the First Day of Each Month**

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

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

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

↓

**12th Day of the following Month**

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

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

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

**Moneys Held in the Revenue Bond Tax Fund**

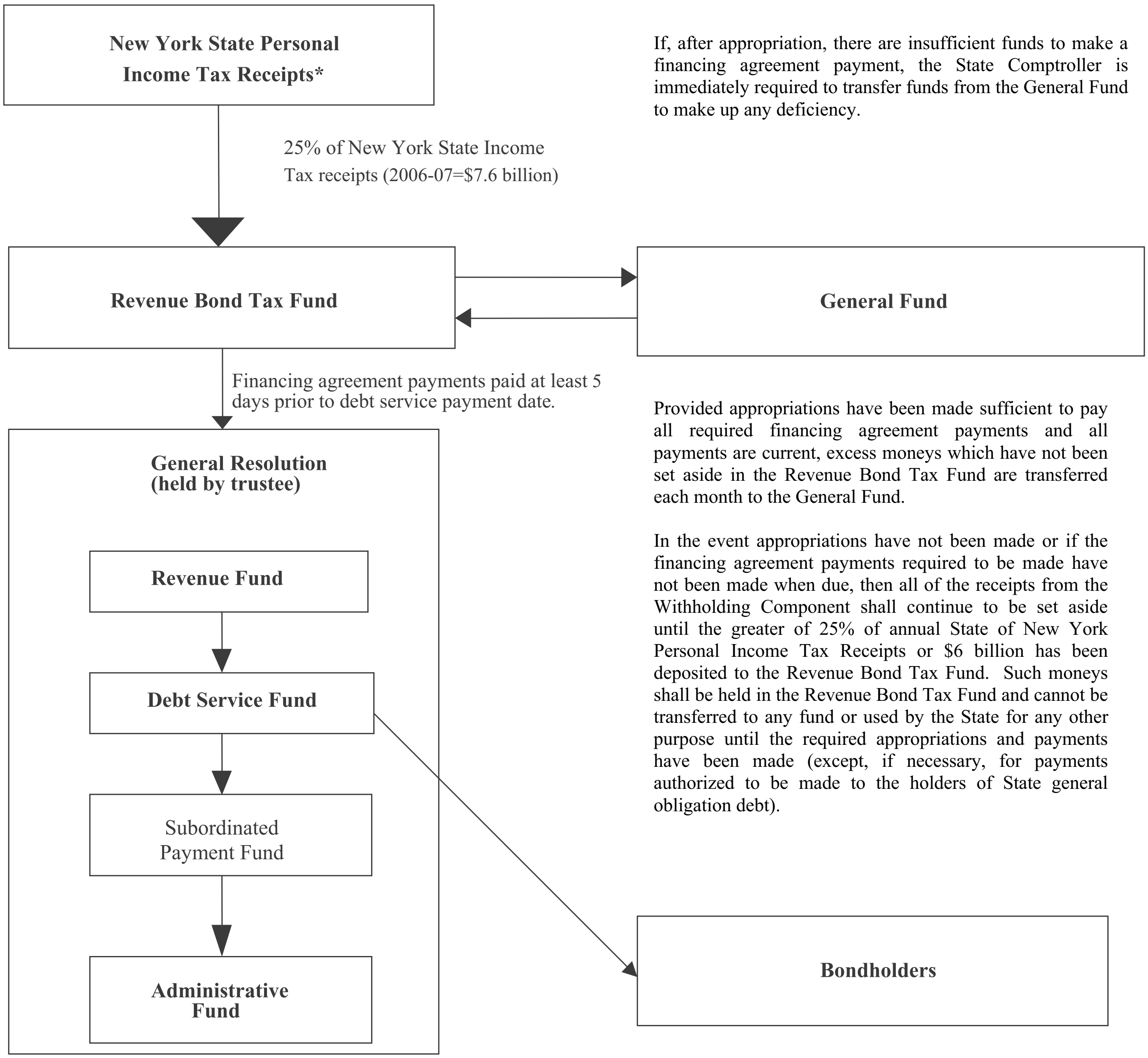
The Enabling Act prohibits the State Comptroller from paying over or distributing any amounts deposited in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) other than to the Authority and other Authorized Issuers (which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

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

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

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

**Flow of Revenues**




If, after appropriation, there are insufficient funds to make a financing agreement payment, the State Comptroller is immediately required to transfer funds from the General Fund to make up any deficiency.

Provided appropriations have been made sufficient to pay all required financing agreement payments and all payments are current, excess moneys which have not been set aside in the Revenue Bond Tax Fund are transferred each month to the General Fund.

In the event appropriations have not been made or if the financing agreement payments required to be made have not been made when due, then all of the receipts from the Withholding Component shall continue to be set aside until the greater of 25% of annual State of New York Personal Income Tax Receipts or $6 billion has been deposited to the Revenue Bond Tax Fund. Such moneys shall be held in the Revenue Bond Tax Fund and cannot be transferred to any fund or used by the State for any other purpose until the required appropriations and payments have been made (except, if necessary, for payments authorized to be made to the holders of State general obligation debt).

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

## Appropriation by the State Legislature

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

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

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

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

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

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

**Additional Bonds**

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

For additional information, see "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTIONS—Special Provisions for Additional Bonds" and "—Refunding Bonds."

**Parity Reimbursement Obligations**

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

**Certain Covenants of the State**

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

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

**Reservation of State's Right to Substitute Credit**

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

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

See "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTIONS—Summary of Certain Provisions of the Standard Resolution Provisions—Reservation of State Rights of Assumption, Extinguishment and Substitution."

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

**General History of the State Personal Income Tax**

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

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

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

Major tax credits include: Empire State Child Credit; Earned Income Tax Credit; Child and Dependent Care Credit; Household Credit; College Tuition Credit; Long-term Care Insurance Credit; Investment Credits; and, Empire Zone Credits.

**Personal Income Tax Rates**

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

### New York State Personal Income Tax Rates for Tax Years 2006 and Thereafter

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

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

### Components of the Personal Income Tax

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

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

### Revenue Bond Tax Fund Receipts

The Enabling Act provides that 25 percent of the receipts from the New York State personal income tax imposed by Article 22 of the New York State Tax Law which are deposited pursuant to section 171-a of the Tax Law ("New York State Personal Income Tax Receipts") shall be deposited in the

Revenue Bond Tax Fund. Such New York State Personal Income Tax Receipts currently exclude refunds paid to taxpayers. Legislation effective April 1, 2007 increased deposits to the Revenue Bond Tax Fund by amending the Enabling Act to provide that deposits to the Revenue Bond Tax Fund be calculated before the deposit of New York State personal income tax receipts to the STAR Fund. Moneys in the STAR Fund are used to reimburse school districts for school tax reductions and property tax rebates provided to homeowners and to reimburse The City of New York for personal income tax reductions enacted as part of the School Tax Relief program. The Debt Reduction Reserve Fund was established in State Fiscal Year 1998-99 to reserve onetime available resources to defease certain State-supported debt, pay debt service costs or pay cash for capital projects that would otherwise be financed with State-supported debt. In State Fiscal Year 2000-01, $250 million was deposited from New York State Personal Income Tax Receipts to the Debt Reduction Reserve Fund, and together with previous deposits to such fund, was used to defease State-supported debt in State Fiscal Years 2000-01 and 2001-02. New York State Personal Income Tax Receipts for State Fiscal Years 2000-01 and 2001-02 exclude deposits to the Debt Reduction Reserve Fund. There were no deposits of New York State Personal Income Tax Receipts to the Debt Reduction Reserve Fund thereafter.

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

In State Fiscal Year 2006-07, New York State Personal Income Tax Receipts were approximately $30.6 billion and accounted for approximately 58 percent of State tax receipts in all State Funds. The 2007-08 Executive Budget estimates New York State Personal Income Tax Receipts at $36.8 billion for State Fiscal Year 2007-08.

The following table sets forth certain historical and projected information concerning New York State Personal Income Tax Receipts, the Withholding Component, and deposits to the Revenue Bond Tax Fund from State Fiscal Years 1997-98 through 2007-08. For State Fiscal Years 1997-98 through 2002-03, the table provides a pro forma estimate equivalent to 25 percent of New York State Personal Income Tax Receipts that would have been deposited to the Revenue Bond Tax Fund had the Enabling Act been in effect during the entirety of those State Fiscal Years. The Withholding Component can exceed New York State Personal Income Tax Receipts since such Receipts equal total personal income tax collections less (i) refunds and (ii) prior to April 1, 2007, deposits into the STAR Fund. For example, in State Fiscal Year 2003-04, refunds and STAR Fund deposits were greater than the aggregate personal income tax collections from components other than the Withholding Component.

**NYS Personal Income Tax Receipts, Withholding Components and State Revenue Bonds Tax Fund Receipts State Fiscal Years 1997-98 through 2007-08**

| State Fiscal Year | New York State Personal Income Tax Receipts | Withholding Component | Withholding/State Personal Income Tax Receipts | Revenue Bond Tax Fund Receipts* |
|---|---|---|---|---|
| 1997-98 | 18,289,070,099 | 15,284,538,902 | 83.6 | 4,572,267,525 |
| 1998-99 | 19,993,911,578 | 16,520,651,172 | 82.6 | 4,998,477,895 |
| 1999-00 | 21,999,634,064 | 18,460,534,313 | 83.9 | 5,499,908,516 |
| 2000-01 | 23,116,012,541 | 20,955,093,052 | 90.7 | 5,779,003,135 |
| 2001-02 | 24,013,593,585 | 20,261,325,030 | 84.4 | 6,003,398,396 |
| 2002-03 | 19,984,262,417 | 19,959,388,350 | 99.9 | 4,996,065,604 |
| 2003-04 | 21,827,770,700 | 21,985,657,770 | 100.7 | 5,456,942,675 |
| 2004-05 | 25,040,965,404 | 23,374,513,925 | 93.3 | 6,260,241,351 |
| 2005-06 | 27,599,721,585 | 24,760,667,777 | 89.7 | 6,899,930,396 |
| 2006-07 | 30,586,000,000 | 26,802,000,000 | 87.6 | 7,646,500,000 |
| 2007-08 (est.) | 36,820,000,000 | 28,601,000,000 | 77.7 | 9,205,000,000** |

* 25 percent of New York State Personal Income Tax Receipts shown on an annualized and pro forma basis for State Fiscal Years 1997-98 through 2002-03.

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

In State Fiscal Year 2006-07, New York State Personal Income Tax Receipts increased by about 11 percent to approximately $30.6 billion. The 2007-08 Enacted Budget projects that total State personal income tax receipts (net of refunds to taxpayers but before deposits to the STAR Fund) will increase by 20 percent to $36.8 billion in 2007-08 reflecting both higher base growth in the tax and the revised Revenue Bond Tax Fund computation.

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

The following table shows the pattern of State adjusted gross income growth and personal income tax liability for 1998 through 2007.

## NYS Adjusted Gross Income (AGI) and Personal Income Tax Liability 1998 to 2007*

| Tax Year | NYS AGI** | Percent Change | Personal Income Tax Liability | Percent Change |
|---|---|---|---|---|
| | | *(dollars in millions)* | | |
| 1998 | $413,128 | 9.0% | $18,986 | 12.0% |
| 1999 | 448,531 | 8.6 | 20,977 | 10.5 |
| 2000 | 508,934 | 13.5 | 24,494 | 16.8 |
| 2001 | 481,001 | (5.5) | 22,406 | (8.5) |
| 2002 | 459,919 | (4.4) | 20,729 | (7.5) |
| 2003 | 473,778 | 3.0 | 22,456 | 8.3 |
| 2004 | 525,967 | 11.0 | 25,769 | 14.8 |
| 2005 | 572,231 | 8.8 | 29,176 | 13.2 |
| 2006 (est.) | 616,875 | 7.8 | 29,584 | 1.4 |
| 2007 (proj.) | 651,524 | 5.6 | 31,866 | 7.7 |

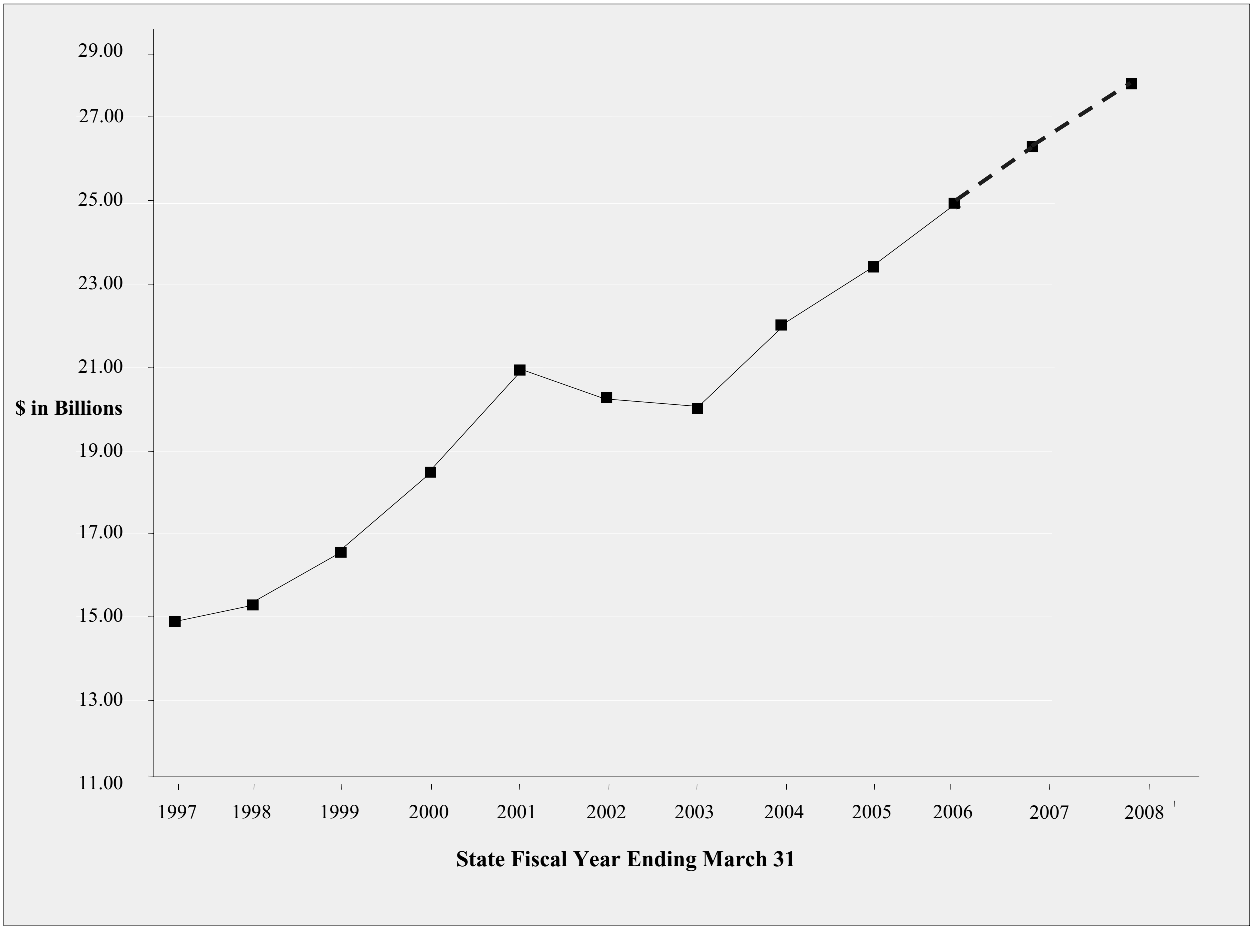
* NYS AGI and Personal Income Tax Liability reflect amounts reported on timely filed individual returns, and therefore do not include tax paid by fiduciaries or through audits.

** Historical values for total NYS AGI appear lower than those previously published due to a minor definitional change.

The table indicates that under the State's progressive income tax structure with graduated tax rates, tax liability generally changes at a faster rate than adjusted gross income, absent major law changes or economic events. Except for the recession and September 11 related years of 2001 and 2002, both have increased each year over the past ten years. Tax liabilities for tax years 2003 through 2005 reflect a temporary tax rate surcharge on high-income taxpayers, which increased overall liabilities by about 7 percent, while the low 1.4 percent estimated growth in tax liability for tax year 2006 reflects the expiration of the surcharge at the end of 2005.

The following graph shows the history of withholding receipts since the 1996-97 fiscal year. Like overall adjusted gross incomes and tax liabilities, withholding has steadily increased each year except the recession-related fiscal years 2001-02 and 2002-03, due to overall growth in employment and wages, as well as the aforementioned temporary tax surcharge which applied during the 2003-04 through 2005-06 fiscal years.

**Personal Income Tax Withholding Component**




- - - - = Estimated.

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

**PART 5--THE PROJECTS**

The Series 2007 Education Bonds are being issued for the purposes of financing capital expenditures for various facilities. The proceeds of the Series 2007 Education Bonds may be applied to finance any eligible projects in accordance with the provisions of the Education Resolution and may be applied to any of the purposes described in the following two paragraphs.

The Series 2007A Education Bonds are being issued for the purposes of financing (i) capital expenditures for various State University of New York facilities; (ii) the State's 50 percent share of the cost of various Upstate Community College capital expenditures; (iii) grants to local school districts to pay costs of certain school facilities over and above existing school aid apportionments in connection with the EXCEL Program; (iv) an archival facility for the New York State Education Department and (v) all or a portion of the cost of issuance of the Series 2007A Education Bonds.

The Series 2007B Education Bonds are being issued for the purposes of financing environmental retrofit projects at various State University of New York facilities. The projects to be undertaken pursuant to this initiative include those promoting the reduction of (i) energy or fuel consumption; (ii) water consumption; (iii) harmful emissions, including greenhouse gases, and (iv) energy demand costs. It is anticipated that the Authority, the State University of New York and the State University Construction Fund will undertake environmental retrofit projects only if estimates demonstrate that the project will result in annualized savings in an amount that is at least equal to the annual costs of debt associated with the project. Additionally, all or a portion of the cost of issuance of the Series 2007B Education Bonds will be financed with the proceeds thereof.

The Series 2007A Economic Development Bonds are being issued for the purpose of financing (i) grants for certain research and technology initiatives as part of the Generating Employment Through New York Science Program ("Gen*NY*sis"), including but not limited to, reimbursing the State for money heretofore advanced by it for financing Gen*NY*sis grants; (ii) grants for certain biotechnology or high-tech projects, education, transportation, workforce or community economic development projects, as part of the Rebuilding the Empire State Through Opportunities in Regional Economies ("RESTORE") Program, including, but not limited to, reimbursing the State for money heretofore advance by it for financing RESTORE grants; (iii) grants for certain general community capital improvement purposes, including arts, cultural, childcare, transportation and educational projects as part of the Community Capital Assistance Program ("CCAP"), including, but not limited to, reimbursing the State for money heretofore advanced by it for financing CCAP grants; and (iv) all or a portion of the cost of issuance of the Series 2007A Economic Development Bonds.

## PART 6--DESCRIPTION OF THE SERIES 2007 BONDS

### General

The Series 2007 Education Bonds will bear interest from their date of delivery (payable September 15, 2007, and on each March 15 and September 15 thereafter) at the rates set forth on the inside cover page of this Official Statement. The Series 2007 Education Bonds will be issued in denominations of $5,000 or any integral multiple thereof.

The Series 2007A Economic Development Bonds will bear interest from their date of delivery (payable December 15, 2007, and on each June 15 and December 15 thereafter) at the rates set forth on the inside cover page of this Official Statement. The Series 2007 Economic Development Bonds will be issued in denominations of $5,000 or any integral multiple thereof.

The Series 2007 Bonds will be issued under a book-entry only system, and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as bond depository for the Series 2007 Bonds. Principal or redemption price of and interest on the Series 2007 Bonds are payable by Deutsche Bank Trust Company Americas, New York, New York, as Trustee and Paying Agent, to Cede & Co., so long as Cede & Co. is the registered owner of the Series 2007 Bonds, as nominee for DTC, which will, in turn, remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners (See "PART 7—BOOK ENTRY ONLY SYSTEM" below).

**Optional Redemption**

The Series 2007A Education Bonds are subject to redemption prior to maturity on or after March 15, 2017, in any order, at the option of the Authority, as a whole or in part at any time, at par, plus accrued interest to the redemption date.

The Series 2007B Education Bonds and the Series 2007A Economic Development Bonds are not subject to optional redemption prior to maturity.

**Mandatory Sinking Fund Redemption**

The Series 2007A Education Bonds maturing March 15, 2032 and March 15, 2037 are subject to mandatory redemption in part, by lot, on March 15 in the years shown below, at a Redemption Price equal to the principal amount thereof, plus accrued interest, if any, to the date of redemption in an amount equal to the Sinking Fund Installments for such Bonds for such date:

| Years | Sinking Fund Installment |
|---|---|
| March 15, 2031 | $19,190,000 |
| March 15, 2032† | 20,150,000 |

† Stated Maturity

| Years | Sinking Fund Installment |
|---|---|
| March 15, 2033 | $21,155,000 |
| March 15, 2034 | 22,215,000 |
| March 15, 2035 | 23,325,000 |
| March 15, 2036 | 24,485,000 |
| March 15, 2037† | 25,715,000 |

† Stated Maturity

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

In the case of redemptions of Series 2007 Bonds at the option of the Authority, the Authority will select the maturities of the Series 2007 Bonds to be redeemed. If less than all of the Series 2007 Bonds are to be redeemed, the Paying Agent shall assign to each Outstanding Bond to be redeemed a distinctive number for each unit of the principal amount of such Series 2007 Bond equal to the lowest denomination in which the Series 2007 Bonds are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Series 2007 Bonds, as many numbers as, at such unit amount equal to the lowest denomination in which the Series 2007 Bonds are authorized to be issued for each number, shall equal the principal amount of such Series 2007 Bonds to be redeemed.

Any notice of optional redemption of the Series 2007 Bonds may state that it is conditional upon receipt by the Trustee of money sufficient to pay the Redemption Price of such Series 2007 Bonds or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such Redemption Price if any such condition so specified is not satisfied or if any such other event occurs.

Notice of such rescission shall be given by the Trustee to affected Bondholders as promptly as practicable upon the failure of such condition or the occurrence of such other event.

When the Trustee shall have received notice from the Authority that Series 2007 Bonds are to be redeemed, the Trustee shall give notice, in the name of the Authority, of the redemption of such Series 2007 Bonds, which notice shall specify the Series 2007 Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2007 Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2007 Bonds to be redeemed, if applicable, that such notice is conditional and the conditions that must be satisfied, and in the case of Series 2007 Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed.

Such notice shall further state that on the redemption date there shall become due and payable upon each Series 2007 Bond or portion thereof to be redeemed the Redemption Price thereof, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable on the Series 2007 Bonds or portions thereof to be redeemed.

Notice of any redemption shall be mailed by the Trustee, postage prepaid, no less than thirty (30) days before the redemption date, to the Owners of any Series 2007 Bonds or portions of Series 2007 Bonds which are to be redeemed, at their last address, if any, appearing upon the registry books.

## PART 7--BOOK ENTRY ONLY SYSTEM

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2007 Bonds. The Series 2007 Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2007 Bond certificate will be issued for each maturity of the Series 2007 Bonds of each Series, totaling in the aggregate the principal amount of the Series 2007 Bonds, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides assets servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities, through electronic computerized book-entry transfer 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC) as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2007 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2007 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2007 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, however, are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2007 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in a particular Series of Series 2007 Bonds, except in the event that use of the book-entry system for such Series of Series 2007 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2007 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2007 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2007 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2007 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Series 2007 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2007 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2007 Bonds will be made to DTC or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to any Series of the Series 2007 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates for the applicable Series of the Series 2007 Bonds 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, Bond certificates for each Series of the Series 2007 Bonds will be printed and delivered.

The above information 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.

NEITHER THE AUTHORITY NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT OR INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2007 BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 2007 BONDHOLDERS; (IV) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A SERIES 2007 BONDHOLDER; OR (V) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2007 BONDS.

Each person for whom a Participant acquires an interest in the Series 2007 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS, INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2007 BONDS.

So long as Cede & Co. is the registered owner of the Series 2007 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2007 Bonds (other than under the captions "TAX MATTERS" and "CONTINUING DISCLOSURE" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2007 Bonds. When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Trustee to DTC only.

For every transfer and exchange of the Series 2007 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to a Series of the Series 2007 Bonds if the Authority determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2007 Bonds of such Series, or (ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of the Beneficial Owners. In the event that no substitute securities depository is found by the Authority or restricted registration is no longer in effect, Bond certificates for the applicable Series of Series 2007 Bonds will be delivered as described in the applicable Supplemental or General Resolutions.

## PART 8--DEBT SERVICE REQUIREMENTS

The following schedule sets forth, for each 12-month period ending March 31 of the years shown, the amounts required for the payment of debt service on the Series 2007 Bonds and outstanding State Personal Income Tax Revenue Bonds during each such period.

| 12-Month Period Ending March 31 | Total Debt Service on Series 2007 Bonds | Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service(1)(2)(3) | Estimated Aggregate Debt Service(1)(2)(3) |
|---|---|---|---|
| 2008 | $29,160,091 | $874,182,217 | $903,342,308 |
| 2009 | 46,388,381 | 793,033,233 | 839,421,614 |
| 2010 | 46,381,156 | 787,312,918 | 833,694,074 |
| 2011 | 46,385,081 | 737,498,240 | 783,883,321 |
| 2012 | 46,385,781 | 737,903,076 | 784,288,857 |
| 2013 | 46,382,631 | 713,122,467 | 759,505,098 |
| 2014 | 46,373,444 | 660,977,561 | 707,351,005 |
| 2015 | 46,379,519 | 608,686,240 | 655,065,759 |
| 2016 | 46,382,674 | 552,044,900 | 598,427,574 |
| 2017 | 46,380,764 | 528,041,645 | 574,422,409 |
| 2018 | 29,097,450 | 505,222,575 | 534,320,025 |
| 2019 | 29,092,863 | 505,700,678 | 534,793,541 |
| 2020 | 29,093,525 | 505,467,064 | 534,560,589 |
| 2021 | 29,091,525 | 505,025,831 | 534,117,356 |
| 2022 | 29,088,025 | 504,997,944 | 534,085,969 |
| 2023 | 29,091,525 | 477,484,042 | 506,575,567 |
| 2024 | 29,090,025 | 422,406,254 | 451,496,279 |
| 2025 | 29,097,025 | 389,070,036 | 418,167,061 |
| 2026 | 29,095,275 | 357,705,395 | 386,800,670 |
| 2027 | 29,098,275 | 311,521,791 | 340,620,066 |
| 2028 | 26,999,500 | 301,330,658 | 328,330,158 |
| 2029 | 27,000,750 | 301,392,152 | 328,392,902 |
| 2030 | 27,000,500 | 301,412,565 | 328,413,065 |
| 2031 | 27,001,750 | 301,500,927 | 328,502,677 |
| 2032 | 27,002,250 | 301,512,871 | 328,515,121 |
| 2033 | 26,999,750 | 261,675,091 | 288,674,841 |
| 2034 | 27,002,000 | 221,535,793 | 248,537,793 |
| 2035 | 27,001,250 | 195,820,615 | 222,821,865 |
| 2036 | 26,995,000 | 128,988,500 | 155,983,500 |
| 2037 | 27,000,750 | 20,623,875 | 47,624,625 |
| Total (3) | $1,007,538,535 | $13,813,197,154 | $14,820,735,689 |

(1) Interest on $437,430,000 principal amount of outstanding State Personal Income Tax Revenue Bonds that bear interest at variable rates is calculated based on assumed rates equal to the fixed swap rates paid by the applicable Authorized Issuers on the related interest rate exchange agreements and interest on $76,235,000 principal amount of outstanding taxable State Personal Income Tax Revenue Bonds that bear interest at variable rates is calculated based on an assumed rate of 5.38 percent. In addition, interest on $561,260,000 principal amount of outstanding fixed rate State Personal Income Tax Revenue Bonds, with respect to which Authorized Issuers entered into interest rate exchange agreements pursuant to which they will pay a variable rate of interest commencing after a future date, is calculated based on the fixed rate on such bonds to maturity and the net payments under such interest rate exchange agreements commencing on future dates (March 15, 2014, in the case of $300,485,000 principal amount and March 15, 2017, in the case of $260,775,000 principal amount), whereby the Authorized Issuers receive a fixed rate and pay a variable rate based on the BMA index (assumed at 3.96 percent per annum).

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

(3) Totals may not add due to rounding.

## PART 9--ESTIMATED SOURCES AND USES OF FUNDS

**Series 2007A Education Bond Proceeds**

The following table sets forth the estimated sources and uses of funds with respect to the Series 2007A Education Bonds:

| | |
|---|---|
| Sources of Funds | |
| Principal amount of Series 2007A Education Bonds | $441,895,000.00 |
| Original Issue Discount | (27,095.60) |
| Original Issue Premium | 15,671,379.45 |
| Total Sources | $457,539,283.85 |
| Uses of Funds | |
| Deposit to Bond Proceeds Fund | $451,776,151.33 |
| Deposit to Debt Service Fund | 5,979.97 |
| Costs of Issuance* | 3,283,362.88 |
| Underwriters' Discount | 2,473,789.67 |
| Total Uses | $457,539,283.85 |

*Includes New York State Bond Issuance Charge.

**Series 2007B Education Bond Proceeds**

The following table sets forth the estimated sources and uses of funds with respect to the Series 2007B Education Bonds:

| | |
|---|---|
| Sources of Funds | |
| Principal amount of Series 2007B Education Bonds | $20,275,000.00 |
| Original Issue Discount | (50,238.70) |
| Original Issue Premium | 36,356.75 |
| Total Sources | $20,261,118.05 |
| Uses of Funds | |
| Deposit to Bond Proceeds Fund | $20,000,000.00 |
| Deposit to Debt Service Fund | 4,653.07 |
| Costs of Issuance* | 152,841.31 |
| Underwriters' Discount | 103,623.67 |
| Total Uses | $20,261,118.05 |

*Includes New York State Bond Issuance Charge.

**Series 2007A Economic Development Bond Proceeds**

The following table sets forth the estimated sources and uses of funds with respect to the Series 2007A Economic Development Bonds:

| | |
|---|---|
| Sources of Funds | |
| Principal amount of Series 2007A Economic Development Bonds | $105,890,000.00 |
| Original Issue Discount | (294,968.05) |
| Original Issue Premium | 91,156.90 |
| Total Sources | $105,686,188.85 |
| Uses of Funds | |
| Deposit to Bond Proceeds Fund | $104,750,000.00 |
| Deposit to Debt Service Fund | 5,979.99 |
| Costs of Issuance* | 819,024.36 |
| Underwriters' Discount | 111,184.50 |
| Total Uses | $105,686,188.85 |

*Includes New York State Bond Issuance Charge.

## PART 10--THE AUTHORITY

**Background, Purposes and Powers**

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

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

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

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

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

At March 31, 2007, the Authority had approximately $33.6 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 March 31, 2007 were as follows:

| Public Programs | Bonds and Notes Issued | Bonds Outstanding | Notes Outstanding | Bonds and Notes Outstanding |
|---|---|---|---|---|
| State University of New York Dormitory Facilities | $ 1,975,416,000 | $ 752,200,000 | $ 0 | $ 752,200,000 |
| State University of New York Educational and Athletic Facilities | 11,351,092,999 | 4,804,109,869 | 0 | 4,804,109,869 |
| Upstate Community Colleges of the State University of New York | 1,366,010,000 | 575,980,000 | 0 | 575,980,000 |
| Senior Colleges of the City University of New York | 8,609,563,549 | 3,146,002,270 | 0 | 3,146,002,270 |
| Community Colleges of the City University of New York | 2,194,081,563 | 549,157,730 | 0 | 549,157,730 |
| BOCES and School Districts | 1,524,911,208 | 1,146,575,000 | 0 | 1,146,575,000 |
| Judicial Facilities | 2,161,277,717 | 745,382,717 | 0 | 745,382,717 |
| New York State Departments of Health and Education and Other | 3,182,915,000 | 2,001,240,000 | 0 | 2,001,240,000 |
| Mental Health Services Facilities | 5,682,130,000 | 3,720,620,000 | 0 | 3,720,620,000 |
| New York State Taxable Pension Bonds | 773,475,000 | 0 | 0 | 0 |
| Municipal Health Facilities Improvement Program | 913,895,000 | 829,085,000 | 0 | 829,085,000 |
| Totals Public Programs | $39,734,768,036 | $18,270,352,586 | $ 0 | $18,270,352,586 |

| Non-Public Programs | Bonds and Notes Issued | Bonds Outstanding | Notes Outstanding | Bonds and Notes Outstanding |
|---|---|---|---|---|
| Independent Colleges, Universities and Other Institutions | $14,187,576,020 | $ 6,764,268,039 | $115,998,000 | $ 6,880,266,039 |
| Voluntary Non-Profit Hospitals | 11,747,969,309 | 7,328,265,000 | 0 | 7,328,265,000 |
| Facilities for the Aged | 1,960,585,000 | 1,126,815,000 | 0 | 1,126,815,000 |
| Supplemental Higher Education Loan Financing Program | 95,000,000 | 0 | 0 | 0 |
| Totals Non-Public Programs | $27,991,130,329 | $15,219,348,039 | $115,998,000 | $15,335,346,039 |
| Grand Totals Bonds and Notes | $67,725,898,365 | $33,489,700,625 | $115,998,000 | $33,605,698,625 |

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

At March 31, 2007, the Agency had approximately $632 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 March 31, 2007 were as follows:

| Public Programs | Bonds Issued | Bonds Outstanding |
|---|---|---|
| Mental Health Services Improvement Facilities | $ 3,817,230,725 | $ 0 |
| **Non-Public Programs** | **Bonds Issued** | **Bonds Outstanding** |
| Hospital and Nursing Home Project Bond Program | $ 226,230,000 | $ 3,930,000 |
| Insured Mortgage Programs | 6,625,079,927 | 592,999,927 |
| Revenue Bonds, Secured Loan and Other Programs | 2,414,240,000 | 34,635,000 |
| Total Non-Public Programs | 9,265,549,927 | 631,564,927 |
| Total MCFFA Outstanding Debt | $ 13,082,780,652 | $ 631,564,927 |

## Governance

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

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

The current members of the Authority are as follows:

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

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

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

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

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

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

BRIAN RUDER, Scarsdale.

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

ANTHONY B. MARTINO, CPA, Buffalo.

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

SANDRA M. SHAPARD, Delmar.

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

ROMAN B. HEDGES, Delmar.

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

KEVIN R. CARLISLE, Averill Park.

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

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

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

PAUL E. FRANCIS, *Budget Director for the State of New York,* Westchester County; *ex-officio.*

Mr. Francis was appointed Director of the Budget on January 1, 2007. As Director of the Budget, Mr. Francis heads the New York State Division of the Budget and serves as the chief fiscal policy advisor to the Governor. Mr. Francis 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. Francis also currently serves as a Senior Advisor to the Governor. Prior to his appointment to Director of the Budget and Senior Advisor to the Governor, Mr. Francis served as policy director for Governor Spitzer's gubernatorial campaign and transition team. His private sector experience includes managing partner of the Cedar Street Group, a venture capital firm he founded in 2001; chief financial officer for Priceline.com from its formation in 1997 to 2000; chief financial officer for Ann Taylor stores from 1993 to 1997; and managing director at Merrill Lynch & Co., where he worked from 1986 to 1993. Mr. Francis is a graduate of Yale College and New York University Law School.

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

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

The principal staff of the Authority is as follows:

DAVID D. BROWN, IV is the Executive Director and chief administrative and operating officer of the Authority. Mr. Brown is responsible for the overall management of the Authority's administration and operations. He previously served as Chief of the Investment Protection Bureau in the Office of the New York State Attorney General, supervising investigations of the mutual fund and insurance industries. From 2000 to 2003, Mr. Brown served as Vice President and Associate General Counsel at Goldman, Sachs & Co., specializing in litigation involving equities, asset management and brokerage businesses. Prior to that, he held the position of Managing Director at Deutsche Bank, where he served as the senior litigation attorney, managing major litigations and customer disputes. From 1994 to 1998, Mr. Brown was Managing Director and Counsel and senior litigation attorney for Bankers Trust Corporation. He holds a Bachelor's degree from Harvard College and a Juris Doctor degree from Harvard Law School.

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

PORTIA LEE is the Managing Director of Public Finance. 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. 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.

LORA K. LEFEBVRE is the Managing Director of Portfolio Management. She is responsible for the supervision and direction of the Authority's health care monitoring and higher education monitoring groups. Prior to joining the Authority in 1995, Ms. Lefebvre worked for the New York State Division of Budget for nine years in a number of different capacities, working in subject areas that included the State University of New York, school aid and public authority oversight. She holds a Bachelor of Arts in Political Science from Alfred University and a Master's degree in Public Administration from the State University of New York at Albany.

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

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

JAMES M. GRAY, R.A., 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. He has been with the Authority since 1986, and has held increasingly responsible positions within the Office of Construction, including Director of the State University of New York (SUNY) and Independent Institutions Construction Program. He began his public service career in 1977 in the New York State Office of General Services. He has been a registered architect in New York since 1983. Mr. Gray holds a Bachelor's degree in architecture from the New York Institute of Technology.

**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 2007 Bonds.

*Legislation*

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

*Environmental Quality Review*

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

*Independent Auditors*

The accounting firm of KPMG LLP audited the financial statements of the Authority for the fiscal year ended March 31, 2007. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

## PART 11--AGREEMENT OF THE STATE

The Authority Act provides that the State pledges and agrees with the holders of the Authority's notes and bonds that the State will not limit or alter the rights vested in the Authority to, among other things, fulfill the terms of any agreements made with the holders of the Authority's notes and bonds or in any way impair the rights and remedies of the holders of such notes and bonds until such notes and bonds and interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of such notes and bonds are fully met and discharged. The General Resolutions include such pledge to the fullest extent enforceable under applicable Federal and State law. Nevertheless, nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax imposed pursuant to Article 22 of the Tax Law. An Event of Default under the General Resolutions would not occur solely as a result of the State exercising its right to amend, repeal, modify or otherwise alter such taxes and fees.

## PART 12--TAX MATTERS

### The Series 2007 Education Bonds

The Internal Revenue Code of 1986, as amended (the "Code") contains certain requirements that must be met subsequent to the issuance and delivery of the Series 2007 Education Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2007 Education Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of such Series 2007 Education Bonds. The Authority has covenanted in the Series 2007 Education Supplemental Resolutions and will covenant in its Tax Certificate to be executed and delivered in connection with the issuance of the Series 2007 Education Bonds to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2007 Education Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. The State has agreed in the Financing Agreements that if the Authority is required to pay over or rebate to the United States any investment earnings with respect to the Series 2007 Education Bonds, the State will pay to the Authority on a timely basis such amount as is necessary to maintain the exclusion of interest on the Series 2007 Education Bonds from gross income for federal income tax purposes. In addition, the Authority and certain other entities benefiting from the Series 2007 Education Bonds, including the State, the State University of New York and the State University Construction Fund have in their respective certificates made certain representations and certifications relating to compliance with certain federal income tax matters. Bond Counsel will not independently verify the accuracy of those certifications and representations.

In the opinion of Sidley Austin LLP, New York, New York, Bond Counsel, based on existing law and except as provided in the next sentence, interest on the Series 2007 Education Bonds is not includable in the gross income of the owners of the Series 2007 Education Bonds for purposes of federal income taxation. Interest on the Series 2007 Education Bonds will be includable in gross income for purposes of federal income taxation retroactive to their date of issuance if the Authority or another entity benefiting from the Series 2007 Education Bonds, as described above, fails to comply subsequent to the issuance of the Series 2007 Education Bonds with the covenant, agreement, representations and certifications described above relating to compliance with certain federal income tax matters, including requirements of the Code and covenants regarding the use, expenditure and investment of the Series 2007 Education Bonds proceeds and the timely payment of certain investment earnings to the U.S. Treasury.

The above opinion with respect to the exclusion from gross income of the interest on the Series 2007 Education Bonds for federal income tax purposes may not be relied upon to the extent that such exclusion is adversely affected as a result of any action taken in reliance upon the opinion of counsel other than Sidley Austin LLP delivered subsequent to the issuance of the Series 2007 Education Bonds.

Interest on the Series 2007 Education Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum tax. Such interest will, however, be included in the calculation of the alternative minimum tax liabilities of corporations. The Code contains provisions (some of which are noted below) that could result in tax consequences, upon which no opinion will be rendered by Bond Counsel, as a result of (i) ownership of the Series 2007 Education Bonds or (ii) the inclusion in certain computations (including, without limitation, those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S-corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Prospective purchasers of the Series 2007 Education Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

Under existing law, the interest on the Series 2007 Education Bonds is exempt from existing personal income taxes of the State of New York and its political subdivisions, including The City of New York and the City of Yonkers.

The excess, if any, of the amount payable at maturity of any maturity of the Series 2007 Education Bonds purchased as part of the initial public offering over the issue price thereof constitutes original issue discount. The amount of original issue discount that has accrued and is properly allocable to an owner of any maturity of the Series 2007 Education Bonds with original issue discount (the "Discount Bonds"), will be excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2007 Education Bonds. In general, the issue price of a maturity of the Series 2007 Education Bonds is the first price at which a substantial amount of the Series 2007 Education Bonds of that maturity was sold (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and the amount of original issue discount accrues in accordance with a constant yield method based on the compounding of interest. A purchaser's adjusted basis in a Discount Bond is increased by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bond for federal income tax purposes. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of the corporation's federal alternative minimum tax liability. In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of a Discount Bond that is not purchased in the initial offering at the first price at which a substantial amount of such substantially identical Series 2007 Education Bonds is sold to the public may be determined according to rules that differ from those described above.

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

The excess, if any, of the tax adjusted basis of the Series 2007 Education Bonds purchased as part of the initial public offering to a purchaser (other than a purchaser who holds such Series 2007 Education Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is "bond premium." Bond premium is amortized over the term of such Series 2007 Education Bonds for federal income tax purposes (or, in the case of a bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). Owners of such Series 2007 Education Bonds are required to decrease their adjusted basis in such Series 2007 Education Bonds by the amount of amortizable bond premium attributable to each taxable year such Series 2007 Education Bonds are held. The amortizable bond premium on such Series 2007 Education Bonds attributable to a taxable year is not deductible for federal income tax purposes; however, bond premium is treated as an offset to qualified stated interest received on such Series 2007 Education Bonds. Owners of such Series 2007 Education Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the treatment of bond premium upon sale or other disposition of such Series 2007 Education Bonds and with respect to the state and local tax consequences of owning and disposing of such Series 2007 Education Bonds.

Legislation affecting municipal securities is constantly being considered by the United States Congress. There can be no assurance that legislation enacted after the date of issue of the Series 2007 Education Bonds will not have an adverse impact on the tax-exempt status of the Series 2007 Education Bonds. Legislative or regulatory actions and proposals may also affect the economic value of the tax exemption or market price of the Series 2007 Education Bonds. See also "PART 12—TAX MATTERS—Future Developments Concerning the Series 2007 Education Bonds and the Taxable Bonds."

*Backup Withholding*

Interest paid on the Series 2007 Education Bonds will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the Series 2007 Education Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's federal income tax liability provided the required information is furnished to the IRS.

**The Taxable Bonds**

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*Circular 230 Notice*

Any discussion of U.S. federal tax issues set forth in this Official Statement relating to the Series 2007 Bonds was written in connection with the promotion and marketing of the transactions described in this Official Statement. Such discussion is not intended or written to be legal or tax advice with respect to the Series 2007 Bonds to any person and is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any U.S. federal tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.

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*In General*

Interest on the Series 2007A Economic Development Bonds (defined herein, the "Taxable Bonds") will be includable in the gross income of the owners thereof for purposes of federal income taxation. See "Certain U.S. Federal Income Tax Considerations" below. Under existing law, interest on the Taxable Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including The City of New York and the City of Yonkers.

*Certain U.S. Federal Income Tax Considerations*

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

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

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

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

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

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

U.S. Holders may generally, upon election, include in income all interest (including stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) that accrues on a debt instrument by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions.

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

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

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

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

**Premium**. If a U.S. Holder purchases a Taxable Bond for an amount that is greater than the sum of all amounts payable on the Taxable Bond after the purchase date, other than payments of qualified stated interest, such U.S. Holder will be considered to have purchased the Taxable Bond with "amortizable bond premium" equal in amount to such excess. A U.S. Holder may elect to amortize such premium using a constant yield method over the remaining term of the Taxable Bond and may offset interest otherwise required to be included in respect of the Taxable Bond during any taxable year by the amortized amount of such excess for the taxable year. However, if the Taxable Bond may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity, special rules would apply which could result in a deferral of the amortization of some bond premium until later in the term of the Taxable Bond. Any election to amortize bond premium applies to all taxable debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

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

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

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

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

**Future Developments Concerning the Series 2007 Education Bonds and the Taxable Bonds.**

Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the Series 2007 Education Bonds to be subject, directly or indirectly, to federal income taxation or interest on the Series 2007 Education Bonds or the Taxable Bonds to be subject, directly or indirectly, to State or local income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the exclusion of such interest with respect to the Series 2007 Education Bonds from gross income for federal income tax purposes and with respect to the Series 2007 Bonds from income taxation by the State and its political subdivisions. On May 21, 2007, the United States Supreme Court agreed to review the decision of the Court of Appeals of Kentucky in the matter of Kentucky v. Davis, which held that it was a violation of the Commerce Clause of the United States Constitution for the Commonwealth of Kentucky to grant a state income tax exemption to the interest on bonds issued by or on behalf of the Commonwealth of Kentucky and its political subdivisions while subjecting interest on bonds issued by or on behalf of other states and their political subdivisions to Kentucky state income tax. It is not possible to know at this time how the Supreme Court will decide Kentucky v. Davis. If the Kentucky decision is affirmed by the United States Supreme Court, states such as the State may be required to eliminate the disparity between the income tax treatment of out-of-state bonds and the income tax treatment of in-state bonds, such as the Series 2007 Bonds. The impact of this decision may also affect the market price for, or the marketability of, the Series 2007 Bonds.

Prospective purchasers of the Series 2007 Bonds should consult their tax advisor regarding pending or proposed federal or state tax legislation, regulations, rulings or litigation as to which Bond Counsel expresses no opinion.

## PART 13--LITIGATION

There is no litigation or other proceeding pending or, to the knowledge of the Authority, threatened in any court, agency or other administrative body (either State or Federal) restraining or enjoining the issuance, sale or delivery of the Series 2007 Bonds, or in any way questioning or affecting (i) the proceedings under which the Series 2007 Bonds are to be issued, (ii) the pledge effected under the applicable General Resolution, or (iii) the validity of any provision of the Enabling Act, the Series 2007 Bonds, the applicable General Resolution, or the applicable Financing Agreement.

## PART 14--CERTAIN LEGAL MATTERS

All legal matters incident to the authorization, issuance, sale and delivery of the Series 2007 Bonds are subject to the approval of Sidley Austin LLP, New York, New York, Bond Counsel to the Authority, and to certain other conditions. The approving opinions of Bond Counsel will be delivered with the Series 2007 Bonds. The proposed forms of such opinions are included in this Official Statement as Appendix D.

Certain legal matters will be passed upon for the Underwriters by their counsel, Harris Beach PLLC, Albany, New York.

## PART 15--UNDERWRITING

J.P. Morgan Securities Inc. on behalf of the Underwriters for the Series 2007 Education Bonds has agreed, subject to the terms of a Contract of Purchase with the Authority with respect to each series of the Series 2007 Education Bonds, to purchase the applicable series of the Series 2007 Education Bonds from the Authority. The Underwriters propose initially to offer the Series 2007 Education Bonds at the initial offering prices set forth on the inside cover page of this Official Statement. The Underwriters may offer and sell the Series 2007 Education Bonds to certain dealers (including dealers depositing such Series 2007 Education Bonds into investment trusts) at prices lower than such initial offering prices. The Contract of Purchase for the Series 2007 Education Bonds provides, in part, that the Underwriters of the Series 2007 Education Bonds, subject to certain conditions, will purchase from the Authority $462,170,000.00 aggregate principal amount of the Series 2007 Education Bonds at an aggregate purchase price of $475,222,988.56 (which price reflects an Underwriters' discount of $2,577,413.34 and a net original issue premium of $15,630,401.90).

The Series 2007A Economic Development Bonds were awarded pursuant to electronic competitive bidding held via Parity on Thursday, June 28, 2007 to Citigroup Global Markets Inc. (the "Purchaser") at a price to the Authority of $105,575,004.35, which reflects a net original issue discount of $203,811.15 and an Underwriters' discount of $111,184.50 from the initial public offering prices derived from the yields shown on the inside cover page. The Purchaser has supplied the information as to the initial public offering prices shown on the inside cover page. The Purchaser may offer to sell the Series 2007A Economic Development Bonds to certain dealers and others at prices lower or yields higher than such initial public offering prices.

## PART 16--LEGALITY OF INVESTMENT

Under New York State law, the Series 2007 Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control. However, enabling legislation or bond resolutions of individual authorities and public benefit corporations of the State may limit the investment of funds of such authorities and corporations in the Series 2007 Bonds.

## PART 17--RATINGS

The Series 2007 Bonds are expected to be rated AAA by Standard & Poor's and AA- by Fitch. An explanation of the significance of such rating should be obtained from the rating agency furnishing the same. There is no assurance that such rating will prevail for any given period of time or that it will not be changed or withdrawn by such rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2007 Bonds.

## PART 18--CONTINUING DISCLOSURE

In order to assist the Underwriters of the Series 2007 Bonds to comply with Rule 15c2-12 ("Rule 15c2-12") promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), each of the Authorized Issuers, the State, and each of the trustees under the general resolutions have entered into a written agreement (the "Master Disclosure Agreement") for the benefit of all holders of State Personal Income Tax Revenue Bonds, including the holders of the Series 2007 Bonds, to provide continuing disclosure. The State will undertake for the benefit of all holders of State Personal Income Tax Revenue Bonds, including holders of the Series 2007 Bonds, to provide each Nationally Recognized Municipal Securities Information Repository (each a "Repository"), and if and when one is established, the New York State Information Depository (the "State Information Depository"), on an annual basis on or before 120 days after the end of each fiscal year of the State, commencing with the fiscal year ending March 31, 2008, financial information and operating data referred to herein as "Annual Information" and the sources of the Revenue

Bond Tax Fund Receipts, as described in more detail below. The State Comptroller is required by existing law to issue audited annual financial statements of the State, prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), 120 days after the close of the State Fiscal Year, and the State will undertake to provide the State's annual financial statements prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to each Repository and to the State Information Depository, if and when such statements are available. In addition, the Authorized Issuers have undertaken, for the benefit of all holders of the State Personal Income Tax Revenue Bonds, including holders of Series 2007 Bonds, to provide to each such Repository or the Municipal Securities Rulemaking Board ("MSRB") and to the State Information Depository, in a timely manner, the notices described below (the "Notices"). Filings pursuant to Rule 15c2-12 may be made either directly with the repositories or through a central information repository approved in accordance with Rule 15c2-12.

The Annual Information shall consist of: (a) financial information and operating data of the type included in this Official Statement under the headings "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS" and "PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND," including information relating to: (1) a description of the personal income tax imposed by Article 22 of the New York State Tax Law, which shall include a description of the tax rate, the tax base and the components of the State personal income tax (unless the personal income tax has been materially changed or modified, in which case similar information about the changed or modified tax will be provided); (2) a historical summary of New York State Personal Income Tax Receipts for a period of at least the five most recent completed State Fiscal Years then available, together with an explanation of the factors affecting collection levels; and (b) financial information and operating data of the type included in the Annual Information Statement of the State set forth or referred to in Appendix A hereto, under the headings or sub-headings "Prior Fiscal Years," "Debt and Other Financing Activities," "State Government Employment," "State Retirement Systems" and "Authorities and Localities," including, more specifically, information consisting of: (1) for prior fiscal years, an analysis of cash-basis results for the State's three most recent fiscal years, and a presentation of the State's results in accordance with GAAP for at least the two most recent fiscal years for which that information is then-currently available; (2) for debt and other financing activities, a description of the types of financings the State is authorized to undertake, a presentation of the outstanding debt issued by the State and certain public authorities, as well as information concerning debt service requirements on that debt; (3) for authorities and localities, information on certain public authorities and local entities whose financial status may have a material impact on the financial status of the State; and (4) material information regarding State government employment and retirement systems; together with (c) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data concerning, and in judging the financial condition of, the State and the collection of New York State Personal Income Tax Receipts.

The Notices include notices of any of the following events with respect to all State Personal Income Tax Revenue Bonds, including holders of the Series 2007 Bonds, if material (each of which is described in the Master Disclosure Agreement): (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the security; (7) modifications to rights of security holders; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the securities; and (11) rating changes. In addition, the Authorized Issuers have undertaken for the benefit of the holders of State Personal Income Tax Revenue Bonds, including holders of the Series 2007 Bonds, to provide to each Repository or the MSRB and to the State Information Depository, in a timely manner, notice of any failure by the State to provide the Annual Information and annual financial statements by the date required in the State's undertaking described above.

If any party to the Master Disclosure Agreement fails to comply with any provisions thereof, then each of the other parties to the Master Disclosure Agreement and, as a direct or third party beneficiary, as the case may be, any holder of State Personal Income Tax Revenue Bonds, including the holders of the Series 2007 Bonds, may enforce, for the equal benefit and protection of all holders similarly situated, by mandamus or other suit or proceeding at law or in equity, the Master Disclosure Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties thereunder. The sole and exclusive remedy for breach or default under the Master Disclosure Agreement to provide continuing disclosure described above is an action to compel specific performance of the undertakings of the State and/or the applicable Authorized Issuer contained therein, and no person or other entity, including any holder of State Personal Income Tax Revenue Bonds, including the holders of the Series 2007 Bonds, may recover monetary damages thereunder under any circumstances. Any holder of State Personal Income Tax Revenue Bonds, including the holders of Series 2007 Bonds, including any beneficial owner, may enforce the Master Disclosure Agreement to the equal and proportionate benefit of all holders similarly situated to the extent provided in the Master Disclosure Agreement. A breach or default under the Master Disclosure Agreement shall not constitute an Event of Default under the general resolutions. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Master Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided. The obligations of the State under the Master Disclosure Agreement may be terminated if the State ceases to be an obligated person as defined in Rule 15c2-12.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it is related have been materially changed or discontinued, a statement to that effect will be provided. As a result, the parties to the Master Disclosure Agreement do not anticipate that it often will be necessary to amend the information undertakings. The Master Disclosure Agreement, however, may be amended or modified without Bondholders' consent under certain circumstances set forth therein.

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

## PART 19--MISCELLANEOUS

Certain information concerning the State (which is either included in or appended to this Official Statement) has been furnished or reviewed and authorized for use by the Authority by such sources as described in this Official Statement. While the Authority believes that these sources are reliable, the Authority has not independently verified this information and does not guarantee the accuracy or completeness of the information furnished by the respective sources.

The State provided the information relating to the State in "APPENDIX A—INFORMATION CONCERNING THE STATE OF NEW YORK."

The Underwriters have not provided any information contained in this Official Statement except for the information contained under the caption "PART 15—UNDERWRITING" and except for certain financial and statistical information relating to the Series 2007 Bonds.

The Director of the Budget of the State of New York is to certify that the statements and information appearing (i) under the headings "PART 1—SUMMARY STATEMENT" (except for the first paragraph under the subcaption "Purpose of Issue; Security for Series 2007 Bonds" as to which no representation is made), "PART 2—INTRODUCTION" (the second, third, fifth, eighth, ninth, tenth and fourteenth paragraphs only), "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS," (ii) under the heading "PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND," (iii) under the heading captioned "PART 8—DEBT SERVICE REQUIREMENTS" as to the column "Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service" and (iv) in the "Annual Information Statement of the State of New York," including any updates or supplements, included in Appendix A to this Official Statement are true, correct and complete in all material respects, and that no facts have come to his attention that would lead him to believe that such statements and information contain any untrue statement of a material fact or omit to state any material facts necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; *provided*, *however*, that while the information and statements contained under such headings and in Appendix A which were obtained from sources other than the State are not certified as to truth, correctness or completeness, such statements and information have been obtained from sources that he believes to be reliable and he has no reason to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; *provided, further, however*, that with regard to the statements and information in Appendix A hereto under the caption "Litigation," such statements and information as to legal matters are given to the best of his information and belief, having made such inquiries as he deemed appropriate at the offices of the Department of Law of the State, without any further independent investigation. The certification is to apply both as of the date of this Official Statement and as of the date of delivery of the Series 2007 Bonds.

The references herein to the Authority Act, the Enabling Act, other laws of the State, the General Resolution and the Financing Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference should be made to each for a full and complete statement of its provisions. The agreements of the Authority with the registered Owners of the Series 2007 Bonds are fully set forth in the General Resolution (including any supplemental resolutions thereto), and neither any advertisement of the Series 2007 Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2007 Bonds. So far as any statements are made in this Official Statement involving matters of opinion, forecasts or estimates, whether or not expressly stated, are intended merely as expressions of opinion, forecasts or estimates and not as representations of fact. Copies of the documents mentioned in this paragraph are available for review at the corporate headquarters of the Authority located at 515 Broadway, Albany, New York 12207.

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

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

By: s/ David D. Brown, IV
Authorized Officer

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# APPENDIX A

## INFORMATION CONCERNING THE STATE OF NEW YORK

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

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

The AIS set forth in this Appendix A is dated May 8, 2007. The AIS was also filed with each Nationally Recognized Municipal Securities Information Repository (NRMSIR). An official copy of the AIS may be obtained by contacting a NRMSIR, or the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705. An informational copy of the AIS is available on the Internet at http://www.budget.state.ny.us.

The Basic Financial Statements and Other Supplementary Information for the State fiscal year ended March 31, 2006 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. The Basic Financial Statements and Other Supplementary Information were issued on July 28, 2006 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, for the State fiscal year ended March 31, 2006 may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 Tel: (518) 474-4015.

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

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# Annual Information Statement

## State of New York

***May 8, 2007***

# Annual Information Statement
# State of New York
*Dated: May 8, 2007*

## Table of Contents



### THE FOLLOWING SECTIONS ARE INCLUDED BY CROSS-REFERENCE

# Annual Information Statement of the State of New York

## Introduction

This Annual Information Statement ("AIS") is dated May 8, 2007 and contains information only through that date. This AIS constitutes the official disclosure information regarding the financial condition of the State of New York (the "State") and replaces the Annual Information Statement dated June 12, 2006 and all updates and supplements thereto. The AIS is scheduled to be updated on a quarterly basis (in August 2007, November 2007, and February 2008) and is subject to being supplemented from time to time as developments may warrant. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any update or supplement issued during the fiscal year.

In this AIS, readers will find:

1. A section entitled the "Current Fiscal Year" that contains (a) extracts from the 2007-08 Enacted Budget Financial Plan dated April 19, 2007 (the "Financial Plan") prepared by the Division of the Budget ("DOB"), including the State's official Financial Plan projections, and (b) a discussion of potential risks that may affect the Financial Plan during the State's current fiscal year under the heading "Special Considerations." The first part of the section entitled "Current Fiscal Year" summarizes the major components of the 2007-08 Enacted Budget and the projected impact on operations, annual spending growth, and the magnitude of future potential budget gaps; the second part provides detailed information on projected total receipts and disbursements in the State's governmental funds in 2007-08.

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

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

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

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

The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS in Official Statements or related disclosure documents for State or State-supported debt issuance. The State has filed this AIS directly with the Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) and with the Central Post Office, Disclosure USA. The Municipal Advisory Council of Texas established this internet-based disclosure filing system, approved by the Securities and Exchange Commission, to facilitate the transmission of disclosure-related information to the NRMSIRs. An official copy of this AIS may be obtained by contacting Mr. Louis Raffaele, Chief Budget Examiner, New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705 or from any NRMSIR. OSC expects to issue the Basic Financial Statements for the 2006-07 fiscal year in July 2007. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and will be available on its website at www.osc.state.ny.us.

## Usage Notice

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

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

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

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# Current Fiscal Year

*The 2007-08 Enacted Budget Financial Plan, extracts of which are set forth below, was prepared by the DOB and reflects the actions of the Legislature and Governor.*

*The 2007-08 Enacted Budget Financial Plan contains estimates for 2007-08 and projections for 2008-09 through 2010-11. As such, it contains estimates and projections of future results that should not be construed as statements of fact. These estimates and projections are based upon various assumptions, including future economic conditions in the State and nation and potential litigation. There can be no assurance that actual results will not differ materially and adversely from the estimates and projections contained in the 2007-08 Enacted Budget Financial Plan set forth below.*

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

*The State also reports spending and revenue activity by two other broad measures: State Funds, which includes the General Fund and funds specified for dedicated purposes, but excludes Federal Funds; and All Governmental Funds, which includes both State and Federal Funds and provides the most comprehensive view of the financial operations of the State.*

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

## 2007-08 Enacted Budget Financial Plan Overview

Governor Spitzer submitted his $120.6 billion Executive Budget for fiscal year 2007-08 to the Legislature on January 31, 2007. During budget negotiations, the Executive and Legislature reached agreement that a total of $1 billion in resources above the Executive Budget forecast were available to finance legislative changes to the Governor's Executive Budget. The Executive, Senate, and Assembly negotiated a budget agreement that culminated with enactment of the budget on April 1, 2007, in time for the start of the State's fiscal year. As in past years, the Legislature enacted the debt service bill in March prior to taking final action on the entire budget. The Governor did not veto any legislative additions.

| 2007-08 Enacted Budget at a Glance: Impact on Key Measures | 2006-07 Results* | 2007-08 Executive | 2007-08 Enacted |
|---|---|---|---|
| **Size of the Budget (millions)** | | | |
| General Fund | $51,591 | $53,248 | $53,684 |
| State Funds | $77,311 | $83,545 | $83,779 |
| All Funds | $112,764 | $120,635 | $120,675 |
| **Annual Spending Growth** | | | |
| General Fund | 11.0% | 4.2% | 4.1% |
| State Funds | 10.9% | 7.8% | 8.4% |
| All Funds | 8.1% | 6.3% | 7.0% |
| **Capital Spending** | | | |
| Capital Projects State Funds | $3,822 | $5,628 | $5,354 |
| Capital Projects All Funds | $5,559 | $7,604 | $7,352 |
| State Funds Growth (excl. Capital) | 10.8% | 6.2% | 6.7% |
| All Funds Growth (excl. Capital) | 8.1% | 5.1% | 5.7% |
| **Receipts (All Funds) (millions)** | | | |
| Taxes | $58,739 | $60,961 | $61,960 |
| Miscellaneous Receipts | $18,078 | $20,058 | $20,402 |
| Federal Grants | $35,579 | $37,313 | $37,128 |
| Underlying Tax Growth | 12.8% | 6.5% | 7.8% |
| **Outyear Gap Forecast (billions)** | | | |
| 2008-09 | n/ap | $2.3 | $3.1 |
| 2009-10 | n/ap | $4.5 | $4.8 |
| 2010-11 | n/ap | $6.3 | $6.6 |
| **Total General Fund Reserves (billions)** | $3.0 | $3.0 | $3.0 |
| **State Workforce** | 195,526 | 197,068 | 198,413 |
| **Debt (billions)** | | | |
| Debt Service as % All Funds | 4.4% | 4.2% | 4.0% |
| State Related Debt Outstanding | $48.1 | $52.6 | $52.0 |

* Preliminary, unaudited results.

The Enacted Budget Financial Plan for 2007-08 is balanced on a cash basis in the General Fund, based on DOB's current estimates. Annual spending in the General Fund is projected to grow by $2.1 billion (4.1 percent) from 2006-07 levels, which includes substantial increases in aid to public schools. The growth in spending is moderated by cost containment initiatives that reduce the overall rate of growth in health care spending. All Governmental Funds[1] spending, which includes Federal aid, is estimated at $120.7 billion in 2007-08, an increase of $7.9 billion (7.0 percent) from 2006-07. Consistent with the Executive Budget recommendations, the Enacted Budget establishes $1.2 billion in flexible reserves that are planned to help balance future budgets. The General Fund is projected to have a closing balance of

[1] Hereafter "All Funds." Comprises the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds.

$3.0 billion in 2007-08, comparable to the level at the close of 2006-07. The balance consists of $1.2 billion in undesignated reserves and $1.8 billion in reserves for designated purposes.

The Enacted Budget Financial Plan projects potential General Fund budget gaps in future years in the range of $3.1 billion in 2008-09 growing to $4.8 billion in 2009-10 and $6.6 billion in 2010-11. State law requires that the annual budget submitted by the Governor and enacted by the Legislature be in balance.

The table below summarizes the multi-year General Fund fiscal impact of the 2007-08 Enacted Budget.

**Changes to General Fund Operating Forecast for 2007-08 Through 2010-11**

**Savings/(Costs)**

**(millions of dollars)**

| | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|---|---|---|---|---|
| **Executive Budget "Current Services" Gap Estimates (Before Actions)** | **(1,540)** | **(2,965)** | **(5,060)** | **(5,331)** |
| Proposed Savings Actions | 3,850 | 3,774 | 4,851 | 5,050 |
| Proposed Initiatives | (1,885) | (3,101) | (4,274) | (5,964) |
| Proposed Deposit to Debt Reduction Reserve | (250) | 0 | 0 | 0 |
| Proposed Deposit to New Rainy Day Reserve | (175) | 0 | 0 | 0 |
| **Executive Budget Surplus/(Gap) Estimate** | **0** | **(2,292)** | **(4,483)** | **(6,245)** |
| Net Legislative Additions | (1,215) | (1,719) | (1,649) | (1,750) |
| Net Available Resources | 1,215 | 906 | 1,361 | 1,370 |
| **Enacted Budget Surplus/(Gap) Estimate** | **0** | **(3,105)** | **(4,771)** | **(6,625)** |

Entering the 2007-08 budget cycle, the State estimated a General Fund budget imbalance of $1.6 billion in 2007-08 and gaps in the range of $3 billion to $6 billion in future years. The Enacted Budget Financial Plan, which incorporates both the Legislature's modifications to Executive recommendations and revisions to current service receipts and spending estimates, is also balanced in 2007-08, with gaps somewhat greater than those forecast at the time of the Executive Budget.

During budget negotiations, the Executive and Legislature agreed that additional net resources were available to finance changes to the 2007-08 Executive Budget. The resources included $1 billion in higher projected tax revenues; $50 million in additional abandoned property receipts; $50 million in savings in State programs based on updated information on program trends; new spending cuts and proposed spending not accepted by the Legislature totaling roughly $92 million in addition to $69 million in savings (such as retroactive Judicial salary increases) that affected 2006-07 estimated disbursements; and approximately $187 million in available fund balances. Planned payments from New York City of $428 million in 2007-08 and $350 million in 2008-09, which were originally added to the State's receipts forecast in 2005, have been removed from the Financial Plan, partially offsetting the increase in available resources. New York City did not make similar planned payments in 2005-06 or 2006-07 and, accordingly, any such payments in the current or future years are no longer counted in the Financial Plan.

The Enacted Budget Financial Plan includes a number of substantive fiscal and policy initiatives:

- **School Aid:** A new Foundation Aid formula is enacted in permanent law that bases the amount of School Aid on a district's educational needs and its ability to provide local support for education. Under the Foundation Aid formula, approximately 72 percent of the aid increase will go to high-needs districts.

- **School Tax Relief (STAR):** The Enacted Budget expands the STAR program, providing a new benefit that is targeted to middle class taxpayers.

- **Expanded access to health care for children:** Access to health insurance coverage is made available for the 400,000 children that are without coverage in New York State.

- **Investment in stem cell research:** Provides initial funding for stem cell research.

- **Increased deposits in reserves:** The Enacted Budget finances deposits of $250 million to the Debt Reduction Reserve and $175 million to the new Rainy Day Reserve.

To finance the initiatives and eliminate the "current services" imbalance, the Enacted Budget Financial Plan includes $3.5 billion in savings and the use of prior-year surpluses:

- Savings of $2.0 billion in spending restraint of which more than $1 billion will slow growth in Health, Medicaid and Mental Hygiene spending.

- Approximately $450 million in loophole-closing revenue actions, which is partially offset by $150 million in revenue reductions from broad-based business tax cuts.

- About $1.0 billion from the use of prior year surplus moneys.

The Enacted Budget Financial Plan maintains reserves of $3.0 billion in 2007-08, comparable to the level at the close of 2006-07. Reserves equal roughly 5.7 percent of projected General Fund spending. The Budget includes an initial deposit of $175 million to the new Rainy Day Reserve that may be used to respond to an economic downturn or catastrophic event and a $250 million deposit to the State's Debt Reduction Reserve that will be used to eliminate high-cost debt. The reserves also include $1.0 billion in the Tax Stabilization Reserve Fund, $1.2 billion in a flexible reserve that is planned to lower the outyear budget gaps, and $353 million in the Community Projects Fund to finance existing legislative "member item" appropriations.

## Size of the Enacted Budget and impact by major program

| Total Disbursements (millions of dollars) | | | | | |
|---|---|---|---|---|---|
| | **2006-07 Results*** | **2007-08 Enacted** | **Annual $ Change** | **Annual % Change** | **Adjusted % Change**** |
| General Fund | 51,591 | 53,684 | 2,093 | 4.1% | n/a |
| State Funds | 77,311 | 83,779 | 6,468 | 8.4% | 6.7% |
| All Funds | 112,764 | 120,675 | 7,911 | 7.0% | 5.7% |

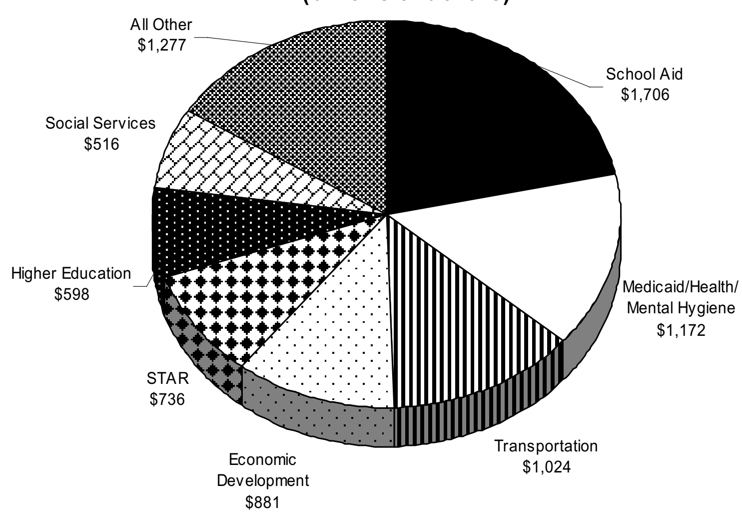
** Unaudited year-end results.*

*** Reflects operational spending growth which excludes Capital Projects Funds spending.*

General Fund spending, including transfers to other funds, is projected to total $53.7 billion in 2007-08, an increase of $2.1 billion over the 2006-07 forecast (4.1 percent). State Funds spending, which includes both the General Fund and spending from other funds supported by State revenues, is projected to increase by $6.5 billion (8.4 percent) and total $83.8 billion in 2007-08. All Funds spending, the broadest measure of spending, is projected to total $120.7 billion in 2007-08, an increase of $7.9 billion (7.0 percent).

The major sources of annual spending from 2006-07 to 2007-08 are presented in the following table, and are explained in detail later in this section.

**All Funds Spending Growth**
**$7.9 Billion**
**(billions of dollars)**



| Enacted Budget Disbursement Projections<br>Major Sources of Annual Change<br>(millions of dollars) | General Fund | State Funds | All Funds |
|---|---|---|---|
| **2006-07 Year-End Results** | **51,591** | **77,311** | **112,764** |
| School Aid | 1,506 | 1,660 | 1,706 |
| Transportation | 46 | 867 | 1,024 |
| Economic Development | 148 | 876 | 881 |
| Public Health | 145 | 410 | 731 |
| STAR | 0 | 736 | 736 |
| Higher Education | 266 | 556 | 598 |
| Social Services | 322 | 336 | 516 |
| Mental Hygiene | 261 | 332 | 461 |
| Homeland Security | 47 | 47 | 378 |
| Other Education Aid | 182 | 212 | 265 |
| General State Charges | 127 | 147 | 163 |
| Medicaid (inc. takeover) | 161 | 21 | (20) |
| Capital/Other Transfers | (865) | 0 | 0 |
| All Other | (253) | 268 | 472 |
| **2007-08 Enacted Budget Estimate** | **53,684** | **83,779** | **120,675** |
| *Dollar Change* | *2,093* | *6,468* | *7,911* |
| *Percent Change* | *4.1%* | *8.4%* | *7.0%* |
| *Percent Change Excluding Capital Spending* | *n/a* | *6.7%* | *5.7%* |

## Projected 2007-08 Year-End Balances

DOB projects the State will end the 2007-08 fiscal year with a General Fund balance of $3.0 billion (5.7 percent of spending). The balance consists of $1.2 billion in undesignated reserves and $1.8 billion in reserves designated to finance existing or planned commitments. The projected closing balance is $12 million lower than the 2006-07 year-end results.

| General Fund Estimated Closing Balance<br>(millions of dollars) | 2006-07 Results* | 2007-08 Enacted | *Change* |
|---|---|---|---|
| **Year-End Fund Balance** | **3,045** | **3,033** | ***(12)*** |
| *Undesignated Reserves* | 1,052 | 1,227 | *175* |
| Tax Stabilization Reserve Fund | 1,031 | 1,031 | *0* |
| Rainy Day Reserve Fund | 0 | 175 | *175* |
| Contingency Reserve Fund | 21 | 21 | *0* |
| *Designated Reserves* | 1,993 | 1,806 | *(187)* |
| Debt Reduction Reserve Fund | 0 | 250 | *250* |
| Remaining 2005-06 Surplus | 787 | 0 | *(787)* |
| Remaining 2006-07 Surplus | 1,493 | 1,203 | *(290)* |
| 2006-07 Timing Related Changes | (565) | 0 | *565* |
| Community Projects Fund | 278 | 353 | *75* |

** Unaudited year-end results.*

The undesignated reserves include $1.0 billion in the State's Tax Stabilization Reserve, after a deposit of $87 million in 2006-07 that maintained the balance at the statutory maximum of 2 percent of General Fund spending, $175 million in the new Rainy Day Reserve after an initial planned deposit in 2007-08, and $21 million in the Contingency Reserve Fund for litigation risks. The new Rainy Day Reserve can have a statutory maximum balance of 3 percent of General Fund spending and may be used to respond to an economic downturn or catastrophic event.

The designated reserves include $353 million in the Community Projects Fund to finance existing "member item" initiatives for the Legislature, $1.2 billion remaining from the 2006-07 surplus that is planned to be used in three equal amounts to lower the projected outyear budget gaps, and $250 million to reduce State debt levels. The 2006-07 closing balance is affected by the timing of $565 million in certain transactions across fiscal years. Specifically, certain revenues that were expected in late 2006-07 are now expected in 2007-08, and certain payments that were orginally planned in 2007-08 were made in 2006-07. These transactions have no net impact over the two fiscal years, but do have the effect of decreasing the 2006-07 fund balance.

## Risks to the Financial Plan

In any year, the Financial Plan is subject to risks that, if they were to materialize, could affect operating results. The most significant short-term risks include the potential cost of collective bargaining agreements and salary increases for the Judiciary (and possibly other elected officials) in 2007-08 and beyond; potential Federal disallowances arising from audits related to Medicaid claims under the School Supportive Health Services program; proposed Federal rule changes concerning Medicaid payments; and under-performance of the national and State economies that can affect State revenues and increase the demand for means-tested programs such as Medicaid and welfare. For more information, see the "Financial Plan Reserves and Risks" section later in this AIS. A full discussion of risks to the State Financial Plan appears in the sections entitled "Special Considerations" and "Litigation" later in this AIS.

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# Changes to the Executive Budget

## Recap of Multi-Year General Fund Operating Forecast:

## Initial Budget through Enactment

Since the 2007-08 Executive Budget forecast, the operating forecast for 2007-08 has remained in balance from the combined impact of enacted cost containment, new spending initiatives and new resources. At the same time, the gap between spending and revenues for 2008-09 and beyond has widened slightly.

The table below summarizes the evolution of the General Fund operating forecast for 2007-08 through 2010-11 from the Executive Budget forecast through enactment.

**Changes to General Fund Operating Forecast for 2007-08 Through 2010-11**
**(millions of dollars)**

| | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|---|---|---|---|---|
| **"Current Services" Gap Estimates (Before Executive Recommendations)** | **(1,548)** | **(2,971)** | **(5,066)** | **(5,337)** |
| Savings Plan | 3,858 | 3,780 | 4,857 | 5,056 |
| New Initiatives | (2,310) | (3,101) | (4,274) | (5,964) |
| **Executive Budget Surplus/(Gap) Estimate** | **0** | **(2,292)** | **(4,483)** | **(6,245)** |
| Additional Resources Available: | 1,215 | 906 | 1,361 | 1,370 |
| Additional Revenues | 1,039 | 900 | 900 | 900 |
| New York City Payment | (428) | (358) | 0 | 0 |
| Abandoned Property | 50 | 0 | 0 | 0 |
| STAR | 218 | 242 | 288 | 280 |
| Current Service Revisions | 101 | 73 | 114 | 104 |
| Spending Cuts | 48 | 49 | 59 | 86 |
| Fund Balances | 187 | 0 | 0 | 0 |
| Additions: | (1,215) | (1,719) | (1,649) | (1,750) |
| Education | (436) | (429) | (491) | (683) |
| Higher Education | (39) | (55) | (55) | (55) |
| Health and Medicaid | (328) | (385) | (310) | (316) |
| Human Services | (55) | (70) | (70) | (70) |
| Criminal Justice | (59) | (81) | (72) | (64) |
| Mental Hygiene | (15) | (15) | (15) | (15) |
| Agriculture/Environment/Housing | (61) | (45) | (45) | (45) |
| Economic Development | (23) | (25) | (25) | (25) |
| Transportation | (11) | (10) | (10) | (10) |
| Local/General Government | (39) | (368) | (368) | (368) |
| Member Items | 0 | (85) | (85) | 0 |
| Net Tax Changes | (149) | (151) | (103) | (99) |
| **Enacted Budget Surplus/(Gap) Estimate** | **0** | **(3,105)** | **(4,771)** | **(6,625)** |

# Executive Budget Proposals vs. Enacted Budget

The Enacted Budget savings plan in 2007-08 includes $3.5 billion of the $3.9 billion in savings actions recommended in the Executive Budget.

The Enacted Budget also includes $2.9 billion for new initiatives, including most of the $2.3 billion recommended in the Executive Budget. Legislative adds, excluding restorations of Executive savings proposals, total roughly $485 million in higher spending for school aid, health care and other areas. In addition, the Enacted Budget includes $170 million for discretionary legislative "member items," with additional funding beginning in 2008-09. One important distinction in 2007-08 is that the Governor did not choose to receive any "member item" funding. The table below compares the proposed savings and initiatives to the Enacted Plan.

**General Fund Budget-Balancing Plan: Executive Proposals vs. Enacted Budget (millions of dollars)**

| | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|---|---|---|---|---|
| **Value of Savings Plan:** | | | | |
| Proposed | 3,858 | 3,780 | 4,857 | 5,056 |
| Medicaid/Health/Mental Hygiene | 1,301 | 954 | 1,920 | 1,734 |
| VLT Expansion(1) | 0 | 150 | 357 | 766 |
| All Other Savings | 1,062 | 1,708 | 1,642 | 1,618 |
| Use of Prior-Year Surplus | 1,046 | 401 | 401 | 401 |
| Revenue Loophole Closers | 449 | 567 | 537 | 537 |
| Enacted | 3,512 | 3,085 | 4,166 | 4,357 |
| Medicaid/Health/Mental Hygiene | 1,057 | 667 | 1,686 | 1,493 |
| VLT Expansion(1) | 0 | 150 | 357 | 766 |
| All Other Savings | 959 | 1,331 | 1,171 | 1,146 |
| Use of Prior-Year Surplus | 1,046 | 401 | 401 | 401 |
| Revenue Loophole Closers | 450 | 536 | 551 | 551 |
| **Value of New Initiatives:** | | | | |
| Proposed | 2,311 | 3,101 | 4,274 | 5,964 |
| STAR | 1,211 | 1,688 | 2,038 | 2,152 |
| Additional School Aid | 371 | 851 | 1,670 | 3,069 |
| Health Care | 103 | 193 | 173 | 192 |
| Increase Reserves | 425 | 0 | 0 | 0 |
| All Other New Initiatives | 201 | 369 | 393 | 551 |
| Enacted | 2,945 | 3,581 | 4,754 | 6,528 |
| STAR | 1,011 | 1,284 | 1,531 | 1,590 |
| Additional School Aid | 738 | 1,236 | 2,151 | 3,742 |
| Health Care | 170 | 264 | 245 | 264 |
| Increase Reserves | 425 | 0 | 0 | 0 |
| New Tax Cuts | 150 | 150 | 150 | 150 |
| All Other New Initiatives | 451 | 647 | 677 | 782 |

(1) VLT expansion legislation was not a part of the Enacted Budget, but is assumed to be addressed at a later date.

Additional detail is provided in the following tables that compare the actions approved in the Enacted Budget against those proposed in the Executive Budget.

## New Initiatives

The Enacted Budget includes new initiatives totaling $2.9 billion in 2007-08, growing to $3.6 billion in 2008-09. Initiatives for increased school aid, STAR, tax cuts, health care, and increasing reserves account for roughly 85 percent of the total.

In addition to the school aid, STAR, and health care proposals described above, the Budget includes several other initiatives to reduce taxes or increase investments. These include a $150 per student increase in community college base aid, an increase in low-income housing tax credits, initial funding for stem cell research, additional resources to fight upstate crime, increased subsidies to upstate transit systems, and increased funding for mental hygiene programs.

In addition, the Enacted Budget includes $150 million in business tax cuts, including a tax cut for businesses with an emphasis on manufacturing and high technology, a reduction to the entire net income tax rate imposed on corporations, banks, and insurance companies from 7.5 percent to 7.1 percent. Other business tax cuts include a reduction to the alternative minimum tax rate imposed under the corporate franchise tax from 2.5 percent to 1.5 percent, a reduction to the entire net income tax rate imposed on certain manufacturers and qualified emerging technology companies from 7.5 percent to 6.5 percent, and an acceleration in the phase-in of the change in the computation of corporation's business allocation percentage.

## Savings

The Enacted Budget contains a set of health care, local aid, and operational reforms that will provide over $2.0 billion in savings in both 2007-08 and 2008-09.

## Health Care

The 2007-08 savings plan includes the first step in a multi-year plan to reform the State's health care system. Savings are projected to total more than $1 billion in the aggregate. The plan reduces the growth in reimbursement rates paid to most providers; strengthens statewide anti-fraud activities; reduces costs of prescription drugs; and enhances management of high-cost beneficiaries.

Specific savings initiatives include:

- **Reduce Rates/Redirect Subsidies:** The Enacted Budget reduces the automatic inflationary rate increases for hospitals and nursing homes by 25 percent, freezes managed care premium payments, and revises subsidy payments to redirect funding to high-need facilities.

- **Pharmaceutical Savings:** Reduces reimbursement rates for pharmacies; increases enrollment in the Medicare Part D program; and expands the applicability of the Preferred Drug Program to the Elderly Pharmaceutical Insurance Coverage (EPIC) program.

- **Enhanced Management of High-Cost Beneficiaries:** Implements a series of new demonstration projects to help provide cost-effective and coordinated care to high-cost beneficiaries.

- **Anti-Fraud:** Enactment of a False Claims Act covering Medicaid, audit staffing increases, greater use of technology, and stepped-up audit procedures will be put into place to generate overall financial savings.

Other savings include maximizing Federal aid, an increase in the covered lives assessment paid by insurance carriers, and additional health care conversion proceeds. The Enacted Budget does not continue the 0.35 percent assessment on hospital revenues beyond March 31, 2007.

## Other Savings

Outside of health care, other enacted savings include reducing certain State aid to New York City, instituting strict controls on spending by State agencies, enhancing savings opportunities in the State's debt management, and maximizing Federal aid.

The key Enacted Budget actions include the following initiatives:

**Local Government Aid:** Restructure local government aid to significantly increase aid to distressed municipalities over four years and reduce Aid and Incentives to Municipalities (AIM) funding to New York City in 2007-08 only.

**Economic Development/Regulation:** Generate savings from increasing New York City's tax processing assessment, and reducing certain economic development initiatives. It also includes a sweep of excess funds from the State of New York Mortgage Agency (SONYMA).

**Social Services/Labor:** Increase the amount of the Temporary Assistance for Needy Families (TANF) public assistance offset through proposed reductions in the TANF funded commitment to several operational programs and several 2006-07 initiatives. In addition, a one-time transfer of $16 million will be made from Department of Labor interest assessment account funds to the General Fund, and the rates charged to local governments for youth in the Office of Children and Family Services (OCFS) facilities will be adjusted to reflect actual costs and to reconcile prior-year billings.

**Public Safety/Homeland Security:** Improve the parole violation process and continue State Operations efficiencies to generate savings. In addition, savings are generated by using non-General Fund resources to fund State Police public safety communications projects and certain Department of Criminal Justice Services (DCJS) programs.

**Education/Arts:** Includes funding for educational accountability initiatives, as well as increases for public libraries and public broadcasting.

**Transportation:** Includes savings from the transfer of transit operating assistance from the Metropolitan Mass Transportation Operating Assistance Fund (MMTOA) to Public Mass Transportation Operating Assistance (PTOA) rather than from the General Fund to PTOA, and reducing General Fund transfers to the Dedicated Highway and Bridge Trust Fund (DHBTF).

**Debt Service:** Savings are expected from an increase to the interest rate exchange and variable rate caps from 15 percent to 20 percent of debt outstanding, increased refunding opportunities from consolidated structures, and increased efficiencies in the bond sale process. In addition, $250 million is appropriated to reduce high-cost debt, which will lower future debt service costs.

**Higher Education:** Tuition Assistance Program (TAP) reforms have been enacted to promote the wise investment of taxpayer funds and more effectively determine TAP eligibility, including the use of an ability to benefit test that is approved by the Commissioner of Education.

**STAR Rebate:** The existing STAR Property Tax Rebate program is replaced by the new Middle Class STAR rebate program.

**Video Lottery Terminal (VLT) Expansion:** Legislation to authorize the expansion of a number of VLT facilities is expected to be enacted sometime in 2007-08 to generate additional revenue to support school aid funding.

**All Other Savings:** Includes State Operations savings, primarily in non-personal service costs (part of a statewide total of $85 million in non-personal service savings).

## Revenue Loophole Closing Initiatives

State tax law currently contains a number of loopholes that enable certain taxpayers to shelter income in unintended ways. The Executive Budget proposed the elimination of a number of such loopholes.

The Enacted Budget loophole closing initiatives, which were used in part to finance $150 million of new business tax cuts described earlier, include:

- Continue to deter the use of tax shelters by extending for two years the authorization for the Department of Taxation and Finance to require the reporting and disclosure of Federal and New York tax planning strategies that might be contrary to proper compliance with tax law.
- Require certain corporations that are Federal S Corporations to also be New York S corporations. This provision will close a loophole that allows State taxpayers to avoid tax by taking advantage of the preferential investment allocation provision under the corporate franchise tax.
- Provide the Commissioner of Taxation and Finance with authority similar to that now provided to the Federal Secretary of Treasury to end practices used by New York partnerships that allow nonresidents to avoid paying personal income tax on New York source income.
- Require closely affiliated corporations which conduct substantial inter-corporate transactions across the affiliated group to file a combined, rather than separate, corporate franchise tax return.
- Phase out over five years the deduction for certain subsidiary dividends received by a parent company from a real estate investment trust (REIT) or regulated investment company (RIC). This will ensure that the shareholders of the REIT or RIC pay tax on the income earned by the REIT or RIC. Banking corporations with taxable assets of $8 billion or less will not be subject to the phase out.
- Close a loophole that allows banks to shelter income by using subsidiaries that were grandfathered as corporate taxpayers when the bank tax was changed in 1985.

## Non-Recurring Resources

The State typically uses some non-recurring resources each year to support its operations. In many cases, the resources may occur each year, but are not included in the current services estimates since there is some uncertainty in timing and amounts that may be available. The following table summarizes the non-recurring resources included in the Enacted Budget.

| General Fund 2007-08 Non-Recurring Resources (millions of dollars) | |
|---|---|
| Transfer SONYMA Excess Balances to the General Fund | 100 |
| Sweep other excess balances | 100 |
| Medicaid: Obtain Federal Share for the Home Care Insurance Demonstration Initiative | 82 |
| Use excess balances in Lottery Fund to finance school aid costs | 76 |
| Additional Abandoned Property Revenue | 50 |
| Medicaid: Waive Statutory Reconciliation of Prior Year Hospital Assessment Collections | 44 |
| Medicaid: Drug Rebate Revenue | 40 |
| Mental Hygiene: Federal PIA revenues (Part B settlement; Accelerated DSH payments) | 61 |
| Mental Hygiene: Audit-Fraud Recoveries; Federal Recovery for OMH Children's Facilities | 18 |
| Sweep cash for Cultural Education Storage Facility | 20 |
| Sweep Balance in the Unemployment Insurance Interest Assessment Account | 16 |
| Sweep Funds from Revenue Arrearage Account | 15 |
| DMV Compulsory Insurance Sweep | 16 |
| Sweep Funds from Motor Vehicle Law Enforcement Account | 11 |
| Sweep Additional Funds from various Public Health Accounts | 10 |
| Use Cellular Surcharge to Fund State Police Statewide Wireless Network | 10 |
| Sweep Excess EPF Fund Balances to General Fund | 10 |
| Finance National Guard Costs with Federal Funds | 5 |
| Sell Vacant Building Planned for Youth Opportunity Center | 3 |
| Sweep Cash from Several Welfare/OCFS Special Revenue Accounts | 3 |
| Utilize Federal Funds for Certain Welfare costs | 2 |
| **Total One-Time Resources** | **692** |
| Net Use of Prior-Year Surpluses (after deposit to reserves) | 671 |
| **Total Non-Recurring Resources** | **1,363** |

The approved one-time actions consist mainly of routine transfers of available cash balances from other funds, time-specific transactions, and additional Federal aid including:

- Medicaid: Savings from several actions help finance Medicaid costs that would otherwise be paid by the General Fund. These include obtaining Federal aid for the Health Care Insurance Demonstration initiative, a waiver of prior-year reconciliations of hospital assessment collections, and maximizing drug rebate revenues;
- Mental Hygiene: Federal revenues are expected to increase as a result of one-time benefits including accelerated Medicaid claiming for services provided to mental hygiene consumers, a Federal Medicare settlement, retroactive billings for children's residential facilities and expansion of quality assurance activities; and

- Routine sweeps of fund balances and increased Federal aid account for the majority of the remaining non-recurring actions.

# 2007-08 Receipts and Disbursements Forecast

## Introduction

This section describes the State's Financial Plan projections for receipts and disbursements based on the 2007-08 Enacted Budget. The receipts forecast describes estimates for the State's principal taxes, miscellaneous receipts, and transfers from other funds. The spending projections summarize the annual growth in current services spending and the impact of Enacted Budget actions on each of the State's major areas of spending (e.g., Medicaid, school aid, mental hygiene).

The 2007-08 Financial Plan projections are presented on an All Funds basis, which encompasses activity in the General Fund, other State-supported Funds, and Federal Funds, thus providing the most comprehensive view of the financial operations of the State.

## Receipts Forecast

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

**Total Receipts (millions of dollars)**

| | 2006-07 Results | 2007-08 Enacted | Annual Change | |
|---|---|---|---|---|
| | | | Dollars | Percent |
| General Fund | 51,379 | 53,672 | 2,293 | 4.5% |
| State Funds | 76,755 | 82,267 | 5,512 | 7.2% |
| All Funds | 112,396 | 119,490 | 7,094 | 6.3% |

## 2007-08 Receipts Overview

All Funds receipts are projected to total \$119.5 billion, an increase of \$7.1 billion over 2006-07 results. The total comprises tax receipts (\$62.0 billion), Federal grants (\$37.1 billion) and miscellaneous receipts (\$20.4 billion). The following table summarizes the receipts actuals for 2006-07 and projections for 2007-08.

| Total Receipts (millions of dollars) | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2006-07 Actual | 2007-08 Estimated | Annual Change | Percent Change | 2008-09 Projected | Annual Change | Percent Change |
| **General Fund** | **51,379** | **53,672** | **2,293** | **4.5** | **55,179** | **1,507** | **2.8** |
| Taxes | 38,668 | 39,264 | 596 | 1.5 | 41,046 | 1,782 | 4.5 |
| Miscellaneous Receipts | 2,268 | 2,485 | 217 | 9.6 | 2,054 | (431) | (17.3) |
| Federal Grants | 151 | 59 | (92) | - | 59 | 0 | 0.0 |
| Transfers | 10,292 | 11,864 | 1,572 | 15.3 | 12,020 | 156 | 1.3 |
| **State Funds** | **76,755** | **82,267** | **5,512** | **7.2** | **85,777** | **3,510** | **4.3** |
| Taxes | 58,739 | 61,960 | 3,221 | 5.5 | 65,237 | 3,277 | 5.3 |
| Miscellaneous Receipts | 17,864 | 20,247 | 2,383 | 13.3 | 20,480 | 233 | 1.2 |
| Federal Grants | 152 | 60 | (92) | (60.5) | 60 | 0 | 0 |
| **All Funds** | **112,396** | **119,490** | **7,094** | **6.3** | **125,117** | **5,627** | **4.7** |
| Taxes | 58,739 | 61,960 | 3,221 | 5.5 | 65,237 | 3,277 | 5.3 |
| Miscellaneous Receipts | 18,078 | 20,402 | 2,324 | 12.9 | 20,628 | 226 | 1.1 |
| Federal Grants | 35,579 | 37,128 | 1,549 | 4.4 | 39,252 | 2,124 | 5.7 |

## 2007-08

- Total All Funds receipts in 2007-08 are expected to reach $119.5 billion, an increase of $7.1 billion, or 6.3 percent from 2006-07 results. All Funds tax receipts are projected to grow by more than $3.2 billion. All Funds Federal grants are expected to increase by more than $1.5 billion, or 4.4 percent. All Funds Miscellaneous receipts are projected to increase by approximately $2.3 billion, or 12.9 percent.
- After controlling for the impact of all policy changes, base tax revenue growth is estimated to be 7.8 percent for fiscal year 2007-08.
- Total State Funds receipts are projected at $82.3 billion, an increase of $5.5 billion, or 7.2 percent from 2006-07 receipts.
- Total General Fund receipts are projected at $53.7 billion, an increase of $2.3 billion, or 4.5 percent from 2006-07 results. General Fund tax receipt growth is projected to be 1.5 percent over 2006-07 results and General Fund miscellaneous receipts are projected to increase by $217 million. The relatively small growth in General Fund tax receipts largely reflects non-tax and non-economy related factors including proposals increasing STAR benefits and earmarking additional funds to debt service funds. Federal grants decline due to the loss of one-time Federal reimbursement for emergency costs related to delays in implementation of the Federal Medicare Part D program.

# Fiscal Years 2007-08 through 2010-11

| Total Receipts (millions of dollars) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2007-08 Estimated | 2008-09 Projected | Annual Change | Percent Change | 2009-10 Projected | Annual Change | Percent Change | 2010-11 Projected | Annual Change | Percent Change |
| **General Fund** | **53,672** | **55,179** | **1,507** | **2.8** | **58,258** | **3,079** | **5.6** | **60,868** | **2,610** | **4.5** |
| Taxes | 39,264 | 41,046 | 1,782 | 4.5 | 43,244 | 2,198 | 5.4 | 45,335 | 2,091 | 4.8 |
| **State Funds** | **82,267** | **85,777** | **3,510** | **4.3** | **89,385** | **3,608** | **4.2** | **92,912** | **3,527** | **3.9** |
| Taxes | 61,960 | 65,237 | 3,277 | 5.3 | 68,840 | 3,603 | 5.5 | 72,024 | 3,184 | 4.6 |
| **All Funds** | **119,490** | **125,117** | **5,627** | **4.7** | **129,903** | **4,786** | **3.8** | **135,310** | **5,407** | **4.2** |
| Taxes | 61,960 | 65,237 | 3,278 | 5.3 | 68,840 | 3,603 | 5.5 | 72,024 | 3,184 | 4.6 |

Overall, receipts growth through fiscal year 2010-11 is expected to remain strong consistent with projected continued growth in the U.S. and New York economies. In addition, actions contained with this Budget eliminate unintended tax loopholes and supplement Department of Taxation and Finance efforts to find non-compliant taxpayers; these actions are expected to enhance receipt growth through 2010-11.

- Total All Funds receipts in 2008-09 are projected to reach $125.1 billion, an increase of $5.6 billion, or 4.7 percent from 2007-08 estimates. All Funds receipts in 2009-10 are expected to increase to nearly $130 billion, or 3.8 percent over the prior year. In 2010-11, receipts are expected to increase by more than $5.4 billion over 2009-10.
- All Funds tax receipts are expected to increase by 5.3 percent in 2008-09, 5.5 percent in 2009-10 and 4.6 percent in 2010-11. Again, the growth pattern is consistent with an economic forecast of continued but modest economic growth.
- Total State Funds receipts are projected to be nearly $85.8 billion in 2008-09, nearly $89.4 billion in 2009-10 and almost $93.0 billion in 2010-11.
- Total General Fund receipts are projected to be $55.2 billion in 2008-09, nearly $58.3 billion in 2009-10 and roughly $60.9 billion in 2010-11.

| Change From Executive Budget Estimates & Projections (millions of dollars) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2007-08 21-Day Amendments | 2007-08 Enacted Budget | Change | Percent Change | 2008-09 21-Day Amendments | 2008-09 Enacted Budget | Change | Percent Change |
| **General Fund** | **41,194** | **41,808** | **614** | **1.5** | **42,695** | **43,159** | **464** | **1.1** |
| Taxes | 38,284 | 39,264 | 980 | 2.6 | 40,223 | 41,046 | 823 | 2.0 |
| Miscellaneous Receipts | 2,851 | 2,485 | (366) | (12.8) | 2,413 | 2,054 | (359) | (14.9) |
| Federal Grants | 59 | 59 | 0 | 0.0 | 59 | 59 | 0 | 0.0 |
| **State Funds** | **80,923** | **82,267** | **1,344** | **1.7** | **85,255** | **85,777** | **522** | **0.6** |
| Taxes | 60,961 | 61,960 | 999 | 1.6 | 64,388 | 65,237 | 849 | 1.3 |
| Miscellaneous Receipts | 19,902 | 20,247 | 345 | 1.7 | 20,807 | 20,480 | (327) | (1.6) |
| Federal Grants | 60 | 60 | 0 | 0.3 | 60 | 60 | 0 | 0.3 |
| **All Funds** | **118,331** | **119,490** | **1,159** | **1.0** | **124,400** | **125,117** | **717** | **0.6** |
| Taxes | 60,961 | 61,960 | 999 | 1.6 | 64,388 | 65,237 | 849 | 1.3 |
| Miscellaneous Receipts | 20,057 | 20,402 | 345 | 1.7 | 20,955 | 20,628 | (327) | (1.6) |
| Federal Grants | 37,313 | 37,128 | (185) | (0.5) | 39,057 | 39,252 | 195 | 0.5 |

## Base Tax Receipts Growth

| Governmental Funds<br>Actual and Base Tax Receipts Growth<br>(percent growth) | | | |
|---|---|---|---|
| **State Fiscal Year** | **Actual Receipts** | **Base Receipts** | **Personal Income Growth** |
| **2006-07** | 9.5 | 12.8 | 5.4 |
| **2007-08** | 5.5 | 7.8 | 5.0 |
| **2008-09** | 5.3 | 5.3 | 5.0 |
| **2009-10** | 5.5 | 5.6 | 5.2 |
| **2010-11** | 4.6 | 4.7 | 5.1 |

Base growth, adjusted for law changes, in tax receipts for fiscal year 2006-07 was a strong 12.8 percent. This was the third consecutive year of double digit growth in base tax receipts. The recent strong performance in the tax receipts base has benefited from several factors including:

- improvements in overall economic activity, especially in New York City;
- continued profitability and compensation gains of financial services companies;
- continued growth in the downstate commercial real estate market; and
- continued positive impact of high-income taxpayers on personal income tax growth.

Strong economic growth, especially concentrated in Downstate New York over the past several years, has driven large gains in receipts. It is expected that the rapid expansion in base revenue will stay strong in 2007-08 at 7.8 percent and moderate in 2008-09 and beyond. Base growth is expected to remain at or slightly above 5 percent throughout the forecast period. Actual receipts are expected to grow more slowly than the underlying base in 2007-08, reflecting the impact of tax actions taken with this Budget. As the above table indicates, non-adjusted receipts growth closely matches expected growth in personal income over the forecast period.

## Personal Income Tax

| Personal Income Tax<br>(millions of dollars) | | | | | |
|---|---|---|---|---|---|
| | **2006-07<br>Actual** | **2007-08<br>Estimated** | **Annual<br>Change** | **2008-09<br>Projected** | **Annual<br>Change** |
| **General Fund** | **22,940** | **22,885** | **(55)** | **24,128** | **1,243** |
| Gross Collections | 40,090 | 43,083 | 2,993 | 46,046 | 2,963 |
| Refunds | (5,510) | (6,263) | (753) | (6,732) | (469) |
| STAR | (3,994) | (4,730) | (736) | (5,358) | (628) |
| RBTF | (7,647) | (9,205) | (1,558) | (9,828) | (623) |
| **State/All Funds** | **34,580** | **36,820** | **2,240** | **39,314** | **2,494** |
| Gross Collections | 40,090 | 43,083 | 2,993 | 46,046 | 2,963 |
| Refunds | (5,510) | (6,263) | (753) | (6,732) | (469) |

All Funds income tax receipts for 2007-08 are projected to increase $2.2 billion over the prior-year to total $36.8 billion. Gross receipts are projected to increase 7.5 percent and reflect projected growth for tax year 2007 liabilities in withholding of 6.7 percent ($1.8 billion) and in estimated taxes of 9.9 percent ($750 million). Estimated taxes also include $6 million of receipts from Enacted Budget legislation that will extend statutory tools used by the Tax Department to address the use of abusive tax shelters. Payments from extensions and final returns for tax year 2006 are projected to increase in total by 8.4 percent, or by $242 million and $169 million, respectively. Receipts from delinquencies are projected to increase by 9.3 percent or $77 million over the prior year. Net receipts, which include refunds on tax year 2006 payments and liabilities, are projected to grow 6.5 percent. Refunds, which are projected to increase by a robust 13.7 percent or $753 million, reflect the impact of the Empire State Child Credit (a refundable credit for resident taxpayers with children ages 4 to 16) that was enacted in 2006 and is applicable to tax years beginning in 2006 and thereafter.

General Fund income tax receipts for 2007-08, which are net of deposits to the STAR Fund and the Revenue Bond Tax Fund (RBTF), are estimated to remain almost flat at $22.9 billion. Deposits to the STAR Fund, which will increase by $736 million to $4.7 billion in 2007-08, reflect Enacted Budget legislation that will increase the current STAR program by providing property tax relief rebates to middle-class homeowners and seniors. Deposits to the RBTF of over $9.2 billion reflect Enacted Budget legislation that requires RBTF deposits to be calculated before the deposit of income tax receipts to the STAR Fund. Although this has the impact of decreasing General Fund receipts by nearly $1.2 billion (25 percent of STAR), deposits in excess of debt service requirements are transferred back to the General Fund.

**Personal Income Tax Change From Executive Budget Estimates (millions of dollars)**

| | 2007-08 Executive Budget | 2007-08 Enacted Budget | Change | Percent Change |
|---|---|---|---|---|
| **General Fund** | **22,258** | **22,885** | **627** | **2.8** |
| Gross Collections | 42,588 | 43,083 | 495 | 1.2 |
| Refunds | (6,314) | (6,263) | 51 | (0.8) |
| STAR | (4,948) | (4,730) | 218 | (4.4) |
| RBTF | (9,068) | (9,205) | (137) | 1.5 |
| **State/All Funds** | **36,274** | **36,820** | **546** | **1.5** |
| Gross Collections | 42,588 | 43,083 | 495 | 1.2 |
| Refunds | (6,314) | (6,263) | 51 | (0.8) |

All Funds personal income tax receipts for 2007-08 are projected to be $546 million, or 1.5 percent, higher than projected in the Executive Budget with 21-Day Amendments. The increase is primarily due to stronger growth in withholding ($225 million), estimated payments ($200 million), and final return payments ($70 million). The net increase in final return payments reflects Enacted Budget legislation that does not include an Executive Budget recommendation to extend and restructure the higher level of fees imposed on limited liability company fees. The Enacted Budget also projects refunds to be $51 million below the Executive Budget forecast.

General Fund receipts are projected to be $627 million above the Executive Budget with 21-Day Amendments. This includes $546 million in additional net receipts, offset by a higher deposit to the RBTF of $137 million. As a result of amendments made to the STAR proposal submitted with the Executive Budget, deposits to STAR will be $218 million less than projected in the Executive Budget.

| Personal Income Tax (millions of dollars) | | | | | |
|---|---|---|---|---|---|
| | 2008-09 Projected | 2009-10 Projected | Annual Change | 2010-11 Projected | Annual Change |
| **General Fund** | **24,128** | **25,576** | **1,448** | **26,979** | **1,402** |
| Gross Collections | 46,046 | 49,004 | 2,958 | 51,824 | 2,820 |
| Refunds | (6,732) | (7,120) | (388) | (7,664) | (544) |
| STAR | (5,358) | (5,838) | (480) | (6,141) | (304) |
| RBTF | (9,828) | (10,470) | (642) | (11,040) | (570) |
| **State/All Funds** | **39,314** | **41,884** | **2,570** | **44,160** | **2,276** |
| Gross Collections | 46,046 | 49,004 | 2,958 | 51,824 | 2,820 |
| Refunds | (6,732) | (7,120) | (388) | (7,664) | (544) |

In general, income tax growth for 2008-09 and 2009-10 is governed by projections of growth in taxable personal income and its major components, including wages, interest and dividend earnings, realized taxable capital gains, and business net income and income derived from partnerships and S corporations, and the impact of tax law changes. Projections for 2008-09 and 2009-10 reflect the impact of Enacted Budget legislation that will close loopholes that allow nonresidents of New York partnerships and certain residents to use corporate status to avoid New York personal income taxes. The legislation applies to tax years beginning on and after January 1, 2007 and is estimated to increase All Funds income tax receipts by $115 million annually beginning in 2008-09. In addition, receipts for 2008-09 reflect the second year impact of enacted legislation that extended the tax shelter legislation for two years.

All Funds PIT projected receipts for 2008-09 of $39.3 billion reflect an increase of 6.7 percent or $2.5 billion above the estimate for 2007-08. The forecast reflects continued solid economic growth and the impact of Enacted Budget legislation described above. All Funds receipts for 2009-10 continue to reflect relatively strong growth in tax liability, and are estimated at $41.9 billion, an increase of $2.6 billion or 6.5 percent above 2008-09.

General Fund income tax receipts are projected to increase by $1.2 billion to just over $24.1 billion in 2008-09. The change from 2007-08 reflects the growth in net receipts discussed above, a $600 million increase in transfers to the RBTF and a $650 million increase in transfers to the STAR Fund. The additional transfers to the STAR Fund will support an increase in the Middle Class STAR rebate program scheduled for 2008-09. General Fund PIT receipts for 2009-10 are projected to increase over 2008-09 by $1.4 billion to $25.5 billion. Receipts reflect the 2009-10 increase in the Middle Class STAR program and deposits to the RBTF that are consistent with growth in All Funds receipts discussed above.

# User Taxes and Fees

| User Taxes and Fees (millions of dollars) | | | | | |
|---|---|---|---|---|---|
| | **2006-07 Actual** | **2007-08 Estimated** | **Annual Change** | **2008-09 Projected** | **Annual Change** |
| **General Fund** | **8,185** | **8,566** | **381** | **8,901** | **335** |
| Sales Tax | 7,539 | 7,867 | 328 | 8,205 | 338 |
| Cigarette and Tobacco Taxes | 411 | 447 | 36 | 443 | (4) |
| Motor Vehicle Fees | (17) | 0 | 17 | 0 | 0 |
| Alcoholic Beverage Taxes | 194 | 200 | 6 | 205 | 5 |
| ABC License Fees | 58 | 52 | (6) | 48 | (4) |
| **State/All Funds** | **13,457** | **14,187** | **730** | **14,680** | **493** |
| Sales Tax | 10,739 | 11,215 | 476 | 11,692 | 477 |
| Cigarette and Tobacco Taxes | 985 | 1,078 | 93 | 1,068 | (10) |
| Motor Fuel | 513 | 536 | 23 | 539 | 3 |
| Motor Vehicle Fees | 769 | 900 | 131 | 913 | 13 |
| Highway Use Tax | 153 | 157 | 4 | 164 | 7 |
| Alcoholic Beverage Taxes | 194 | 200 | 6 | 205 | 5 |
| ABC License Fees | 58 | 52 | (6) | 48 | (4) |
| Auto Rental Tax | 46 | 49 | 3 | 51 | 2 |

All Funds user taxes and fees receipts for 2007-08 are projected to be $14.2 billion, an increase of $730 million or 5.4 percent from 2006-07. General Fund user taxes and fees receipts are projected to total $8.6 billion in 2007-08, an increase of $381 million or 4.7 percent from 2006-07. This increase largely reflects the projected growth in the sales tax base (4.1 percent), the collection of taxes on sales to non-Native Americans on New York reservations and a reclassification of motor vehicle fees.

| User Taxes And Fees Change From Executive Budget Estimates (millions of dollars) | | | | |
|---|---|---|---|---|
| | **2007-08 Executive Budget** | **2007-08 Enacted Budget** | **Change** | **Percent Change** |
| **General Fund** | **8,633** | **8,566** | **(67)** | **(0.8)** |
| Sales Tax | 7,934 | 7,867 | (67) | (0.8) |
| Cigarette and Tobacco Taxes | 447 | 447 | 0 | 0 |
| Motor Vehicle Fees | 0 | 0 | 0 | 0 |
| Alcoholic Beverage Taxes | 200 | 200 | 0 | 0 |
| ABC License Fees | 52 | 52 | 0 | 0 |
| **State/All Funds** | **14,278** | **14,187** | **(91)** | **(0.6)** |
| Sales Tax | 11,306 | 11,215 | (91) | (0.8) |
| Cigarette and Tobacco Taxes | 1,078 | 1,078 | 0 | 0 |
| Motor Fuel | 536 | 536 | 0 | 0 |
| Motor Vehicle Fees | 900 | 900 | 0 | 0 |
| Highway Use Tax | 157 | 157 | 0 | 0 |
| Alcoholic Beverage Taxes | 200 | 200 | 0 | 0 |
| ABC License Fees | 52 | 52 | 0 | 0 |
| Auto Rental Tax | 49 | 49 | 0 | 0 |

| User Taxes and Fees (millions of dollars) | | | | | |
|---|---|---|---|---|---|
| | 2008-09 Projected | 2009-10 Projected | Annual Change | 2010-11 Projected | Annual Change |
| **General Fund** | **8,901** | **9,212** | **311** | **9,540** | **328** |
| Sales Tax | 8,205 | 8,514 | 309 | 8,845 | 331 |
| Cigarette and Tobacco Taxes | 443 | 437 | (6) | 432 | (5) |
| Motor Vehicle Fees | 0 | 0 | 0 | 0 | 0 |
| Alcoholic Beverage Taxes | 205 | 209 | 4 | 214 | 5 |
| ABC License Fees | 48 | 52 | 4 | 49 | (3) |
| **State/All Funds** | **14,680** | **15,181** | **501** | **15,683** | **502** |
| Sales Tax | 11,692 | 12,133 | 441 | 12,604 | 471 |
| Cigarette and Tobacco Taxes | 1,068 | 1,054 | (14) | 1,038 | (16) |
| Motor Fuel | 539 | 542 | 3 | 544 | 2 |
| Motor Vehicle Fees | 913 | 971 | 58 | 1,008 | 37 |
| Highway Use Tax | 164 | 167 | 3 | 171 | 4 |
| Alcoholic Beverage Taxes | 205 | 209 | 4 | 214 | 5 |
| ABC License Fees | 48 | 52 | 4 | 49 | (3) |
| Auto Rental Tax | 51 | 53 | 2 | 55 | 2 |

General Fund receipts from user taxes and fees are estimated to total $8.9 billion in 2008-09, an increase of $335 million from 2007-08. Receipts are projected to grow by an additional $300 million annually in 2009-10 and 2010-11 to $9.2 billion and $9.5 billion, respectively. The increase is due almost exclusively to the projected growth in the sales tax base. The underlying growth in the sales tax base is expected to be in the range of 3 to 4 percent.

## Business Taxes

| Business Taxes (millions of dollars) | | | | | |
|---|---|---|---|---|---|
| | 2006-07 Actual | 2007-08 Estimated | Annual Change | 2008-09 Projected | Annual Change |
| **General Fund** | **6,468** | **6,679** | **211** | **6,807** | **128** |
| Corporate Franchise Tax | 3,677 | 3,904 | 228 | 4,104 | 200 |
| Corporation & Utilities Tax | 626 | 618 | (8) | 623 | 5 |
| Insurance Tax | 1,142 | 1,176 | 34 | 1,161 | (15) |
| Bank Tax | 1,024 | 981 | (43) | 919 | (62) |
| **State/All Funds** | **8,606** | **8,919** | **313** | **9,084** | **166** |
| Corporate Franchise Tax | 4,228 | 4,476 | 248 | 4,701 | 226 |
| Corporation & Utilities Tax | 820 | 816 | (4) | 821 | 5 |
| Insurance Tax | 1,258 | 1,292 | 34 | 1,276 | (16) |
| Bank Tax | 1,210 | 1,150 | (60) | 1,073 | (78) |
| Petroleum Business Tax | 1,090 | 1,185 | 94 | 1,213 | 29 |

All Funds business tax receipts for 2007-08 of more than $8.9 billion are estimated to increase by nearly $313 million or 3.6 percent over the prior year. The estimates reflect a net increase in receipts of $362 million from enacted provisions that will close corporate tax loopholes that have allowed bank and corporate franchise taxpayers to use complex tax shelter techniques to avoid tax ($516 million) and certain business tax cuts. The loophole provisions include: a five-year phase out of the deduction for subsidiary capital received by certain corporations from closely-held real estate investment trusts ($102 million), combined filing requirements for corporations which conduct substantial inter-corporate transactions with one another to file a combined corporate franchise tax return ($381 million), eliminating the use of certain grandfathered corporations by banks to shelter income from tax ($22 million), and extending for two years the authorization for the Department of Taxation and Finance to require the reporting of abusive tax shelters ($17 million).

The Enacted Budget also reflects legislation that will reduce taxes by $154 million in 2007-08. That legislation reduces the entire net income tax rate imposed on corporations, banks, and insurance companies from 7.5 percent to 7.1 percent and the alternative minimum tax imposed under the corporate franchise tax from 2.5 percent to 1.5 percent (effective January 1, 2007). In addition, effective January 31, 2007, the entire net income tax rate imposed on certain manufacturers and qualified emerging technology companies is reduced from 7.5 percent to 6.5 percent. Enacted legislation also accelerates the effective date of the phase-in of the change in the computation of a corporation’s business allocation percentage from a three factor formula of payroll, property and receipts to a single receipts factor from January 1, 2008 to January 1, 2007, and increases the amount of low income housing credits the Commissioner of Housing and Community Renewal may allocate by $4 million.

All Funds non-audit business tax receipts before these enacted tax initiatives are estimated to increase 6.6 percent in 2007-08. This overall increase reflects a moderation in the growth of non-audit corporate franchise tax receipts to roughly 8.4 percent. This estimated rate of growth follows two consecutive years of extraordinary growth in non-audit corporate tax receipts of 40 percent in 2005-06 and 29 percent in 2006-07. Total corporate franchise tax receipts for 2007-08 of $4.5 billion reflect the enacted budget tax legislation described above and a moderation in audit receipts from last year’s historic levels.

All Funds non-audit bank tax receipts before enacted tax initiatives are projected to increase by 4.5 percent. Receipts from the bank tax also reflect a moderation in the growth of non-audit receipts of more than 40 percent in 2006-07. Total bank tax receipts for 2007-08 of $1.2 billion reflect the enacted budget tax legislation described above and a reduction in audit receipts from last year’s high levels.

Projected All Funds non-audit business tax receipts for 2007-08 also reflect growth in corporation and utilities taxes receipts of 3.6 percent, the insurance tax receipts of 4.1 percent and petroleum business tax receipts of 8 percent. All Funds audit receipts from all business taxes are projected to decline by 33 percent, or roughly $515 million, from the historical level of the prior year. Large declines in audit receipts are expected in all business taxes except the petroleum business taxes.

General Fund business tax receipts for 2007-08 of $6.7 billion are estimated to increase $211 million, or 3.3 percent over the prior year. Business tax receipts deposited to the General Fund reflect the All Funds trends and the enacted tax initiatives discussed above.

| Business Taxes (millions of dollars) | | | | | |
|---|---|---|---|---|---|
| | 2008-09 Projected | 2009-10 Projected | Annual Change | 2010-11 Projected | Annual Change |
| **General Fund** | **6,807** | **7,113** | **306** | **7,392** | **279** |
| Corporate Franchise Tax | 4,104 | 4,342 | 238 | 4,578 | 236 |
| Corporation & Utilities Tax | 623 | 628 | 5 | 632 | 4 |
| Insurance Tax | 1,161 | 1,197 | 36 | 1,236 | 39 |
| Bank Tax | 919 | 946 | 27 | 946 | 0 |
| **State/All Funds** | **9,084** | **9,435** | **351** | **9,757** | **323** |
| Corporate Franchise Tax | 4,701 | 4,975 | 273 | 5,245 | 270 |
| Corporation & Utilities Tax | 821 | 826 | 5 | 831 | 5 |
| Insurance Tax | 1,276 | 1,315 | 39 | 1,358 | 43 |
| Bank Tax | 1,073 | 1,100 | 27 | 1,100 | 0 |
| Petroleum Business Tax | 1,213 | 1,220 | 6 | 1,224 | 4 |

All Funds business tax receipts for 2008-09 are projected to increase $166 million, or 1.9 percent, to nearly $9.1 billion. The projected receipts reflect the impact of the loophole-closing and business tax rate reduction initiatives enacted in 2007. Without these law changes, business tax receipts are expected to increase by 2.3 percent from comparable 2007-08 receipts. This change reflects modest increases in corporate franchise tax, corporation and utilities taxes, and petroleum business taxes receipts, partially offset by modest decreases in bank tax and insurance taxes receipts.

For 2009-10, All Funds business tax receipts are projected to increase by 3.9 percent, to more than $9.4 billion. The projected receipts continue to reflect the loophole-closing and business tax rate reduction initiatives enacted in 2007. Without these law changes, business tax receipts are expected to increase by 3.7 percent from comparable 2008-09 receipts. This increase reflects minimal increases in corporation and utilities taxes and petroleum business tax receipts, with modest increases in receipts from each of the other business taxes.

## Other Taxes

| Other Taxes (millions of dollars) | | | | | |
|---|---|---|---|---|---|
| | 2006-07 Actual | 2007-08 Estimated | Annual Change | 2008-09 Projected | Annual Change |
| **General Fund** | **1,075** | **1,135** | **60** | **1,211** | **75** |
| Estate Tax | 1,063 | 1,115 | 51 | 1,190 | 75 |
| Gift Tax | (10) | 0 | 10 | 0 | 0 |
| Real Property Gains Tax | 0 | 0 | (0) | 0 | 0 |
| Pari-mutuel Taxes | 21 | 20 | (1) | 20 | 0 |
| All Other Taxes | 1 | 1 | 0 | 1 | 0 |
| **State/All Funds** | **2,097** | **2,036** | **(62)** | **2,161** | **125** |
| Estate Tax | 1,063 | 1,115 | 51 | 1,190 | 75 |
| Gift Tax | (10) | 0 | 10 | 0 | 0 |
| Real Property Gains Tax | 0 | 0 | 0 | 0 | 0 |
| Real Estate Transfer Tax | 1,022 | 900 | (122) | 950 | 50 |
| Pari-mutuel Taxes | 21 | 20 | (1) | 20 | 0 |
| All Other Taxes | 1 | 1 | 0 | 1 | 0 |

All Funds other tax receipts in 2007-08 are projected to be roughly $2 billion, down $62 million or 3.0 percent from 2006-07, reflecting retrenchment in real estate transfer tax receipts and a slight increase in estate tax collections. General Fund receipts for 2007-08 are projected to total more than $1.1 billion or a $60 million increase with estate tax collections expected to grow modestly.

| Other Taxes (millions of dollars) | | | | | |
|---|---|---|---|---|---|
| | 2008-09 Projected | 2009-10 Projected | Annual Change | 2010-11 Projected | Annual Change |
| **General Fund** | **1,211** | **1,342** | **131** | **1,425** | **83** |
| Estate Tax | 1,190 | 1,321 | 131 | 1,404 | 83 |
| Gift Tax | 0 | 0 | 0 | 0 | 0 |
| Real Property Gains Tax | 0 | 0 | 0 | 0 | 0 |
| Pari-mutuel Taxes | 20 | 20 | 0 | 20 | 0 |
| All Other Taxes | 1 | 1 | 0 | 1 | 0 |
| | | | | | |
| **State/All Funds** | **2,161** | **2,342** | **181** | **2,425** | **83** |
| Estate Tax | 1,190 | 1,321 | 131 | 1,404 | 83 |
| Gift Tax | 0 | 0 | 0 | 0 | 0 |
| Real Property Gains Tax | 0 | 0 | 0 | 0 | 0 |
| Real Estate Transfer Tax | 950 | 1,000 | 50 | 1,000 | 0 |
| Pari-mutuel Taxes | 20 | 20 | 0 | 20 | 0 |
| All Other Taxes | 1 | 1 | 0 | 1 | 0 |

General Fund receipts from other taxes are expected to grow modestly in the outyears, primarily reflecting modest growth in estate tax collections. All Funds other tax receipts are projected to increase moderately in future years, primarily due to positive change in the estate tax as well real estate transfer tax collections.

## Miscellaneous Receipts

| Miscellaneous Receipts and Federal Grants (millions of dollars) | | | | | |
|---|---|---|---|---|---|
| | 2006-07 Actual | 2007-08 Estimated | Annual Change | 2008-09 Projected | Annual Change |
| **General Fund** | **2,419** | **2,545** | **125** | **2,113** | **(431)** |
| Miscellaneous Receipts | 2,268 | 2,485 | 218 | 2,054 | (431) |
| Federal Grants | 152 | 59 | (92) | 59 | 0 |
| | | | | | |
| **State Funds** | **17,117** | **20,307** | **3,190** | **20,539** | **232** |
| Miscellaneous Receipts | 16,964 | 20,247 | 3,283 | 20,480 | 232 |
| Federal Grants | 153 | 60 | (93) | 60 | 0 |
| | | | | | |
| **All Funds** | **53,901** | **58,212** | **4,311** | **60,556** | **2,344** |
| Miscellaneous Receipts | 17,775 | 21,059 | 3,285 | 21,279 | 220 |
| Federal Grants | 36,126 | 37,153 | 1,026 | 39,277 | 2,124 |

General Fund miscellaneous receipts collections in 2007-08 are projected to reach approximately $2.5 billion, up $218 million from 2006-07 results, reflecting license and fee collections and expected receipts from the New York Power Authority, partially offset by decreases in receipts from investment income.

| Miscellaneous Receipts and Federal Grants (millions of dollars) | | | | | |
|---|---|---|---|---|---|
| | **2008-09 Projected** | **2009-10 Projected** | **Annual Change** | **2010-11 Projected** | **Annual Change** |
| **General Fund** | **2,113** | **2,516** | **402** | **2,518** | **2** |
| Miscellaneous Receipts | 2,054 | 2,456 | 402 | 2,459 | 2 |
| Federal Grants | 59 | 59 | 0 | 59 | 0 |
| **State Funds** | **20,539** | **20,545** | **6** | **20,887** | **342** |
| Miscellaneous Receipts | 20,480 | 20,486 | 6 | 20,827 | 342 |
| Federal Grants | 60 | 60 | 0 | 60 | 0 |
| **All Funds** | **60,556** | **61,742** | **1,187** | **63,995** | **2,253** |
| Miscellaneous Receipts | 21,279 | 21,287 | 8 | 21,656 | 369 |
| Federal Grants | 39,277 | 40,456 | 1,179 | 42,339 | 1,883 |

General Fund miscellaneous receipts in 2008-09 are projected to be $2.1 billion, down $419 million from 2007-08. This decrease is primarily the result of the loss of certain receipts from the Power Authority and a decrease in abandoned property collections. General Fund miscellaneous receipts are projected to be up $402 million from 2008-09. Receipts are expected to remain relatively constant in 2010-11.

## 2007-08 DISBURSEMENTS FORECAST

| Total Disbursements (millions of dollars) | | | | | |
|---|---|---|---|---|---|
| | **2006-07 Results*** | **2007-08 Enacted** | **Annual $ Change** | **Annual % Change** | **Adjusted % Change**** |
| General Fund | 51,591 | 53,684 | 2,093 | 4.1% | n/a |
| State Funds | 77,311 | 83,779 | 6,468 | 8.4% | 6.7% |
| All Funds | 112,764 | 120,675 | 7,911 | 7.0% | 5.7% |

** Unaudited year-end results.*

*** Reflects operational spending growth which excludes Capital Projects Funds spending.*

In 2007-08, General Fund spending, including transfers to other funds, is projected to total $53.7 billion. State Funds spending, which includes both the General Fund and spending from other funds supported by assessments, tuition, HCRA resources and other non-Federal revenues, is projected to total $83.8 billion in 2007-08. All Funds spending, the broadest measure which includes Federal aid, is projected to total $120.7 billion in 2007-08.

The major sources of annual spending change between 2006-07 and 2007-08 are summarized in the following table.

| Enacted Budget Spending Projections<br>Major Sources of Annual Change from 2006-07 to 2007-08<br>(millions of dollars) | General Fund | Other State Funds | State Funds | Federal Funds | All Funds |
|---|---|---|---|---|---|
| **2006-07 Results** | **51,591** | **25,720** | **77,311** | **35,453** | **112,764** |
| **Major Functions** | | | | | |
| *Public Health:* | | | | | |
| Medicaid | (43) | (140) | (183) | (41) | (224) |
| Medicaid Cap/FHP Takeover | 204 | 0 | 204 | 0 | 204 |
| Public Health | 145 | 265 | 410 | 321 | 731 |
| *K-12 Education:* | | | | | |
| School Aid | 1,506 | 154 | 1,660 | 46 | 1,706 |
| All Other Education Aid | 182 | 30 | 212 | 53 | 265 |
| STAR | 0 | 736 | 736 | 0 | 736 |
| Higher Education | 266 | 290 | 556 | 42 | 598 |
| *Social Services:* | | | | | |
| Temporary and Disability Assistance | 128 | 6 | 134 | 95 | 229 |
| Children and Family Services | 194 | 8 | 202 | 85 | 287 |
| Mental Hygiene | 261 | 71 | 332 | 129 | 461 |
| Transportation | 46 | 821 | 867 | 157 | 1,024 |
| General State Charges | 127 | 20 | 147 | 16 | 163 |
| Debt Service | (327) | 10 | (317) | 0 | (317) |
| **All Other Changes** | | | | | |
| Economic Development | 148 | 728 | 876 | 5 | 881 |
| Homeland Security | 47 | 0 | 47 | 331 | 378 |
| Judiciary | 84 | 42 | 126 | 1 | 127 |
| World Trade Center | 0 | 0 | 0 | 98 | 98 |
| Elections | 4 | 7 | 11 | 66 | 77 |
| Environmental Conservation | 13 | 69 | 82 | (3) | 79 |
| Local Government Aid | (213) | 0 | (213) | 0 | (213) |
| Criminal Justice Services | 30 | 26 | 56 | (69) | (13) |
| Capital/Other Transfers | (865) | 865 | 0 | 0 | 0 |
| All Other | 156 | 367 | 523 | 111 | 634 |
| **2007-08 Enacted Budget** | **53,684** | **30,095** | **83,779** | **36,896** | **120,675** |
| *Annual Dollar Change* | *2,093* | *4,375* | *6,468* | *1,443* | *7,911* |
| *Annual Percent Change* | *4.1%* | *17.0%* | *8.4%* | *4.1%* | *7.0%* |
| *Adjusted Annual Change excluding Capital Projects spending growth* | | | | | |
| *Dollar Change* | *n/a* | *2,843* | *4,936* | *1,182* | *6,118* |
| *Percent Change* | *n/a* | *13.0%* | *6.7%* | *3.5%* | *5.7%* |

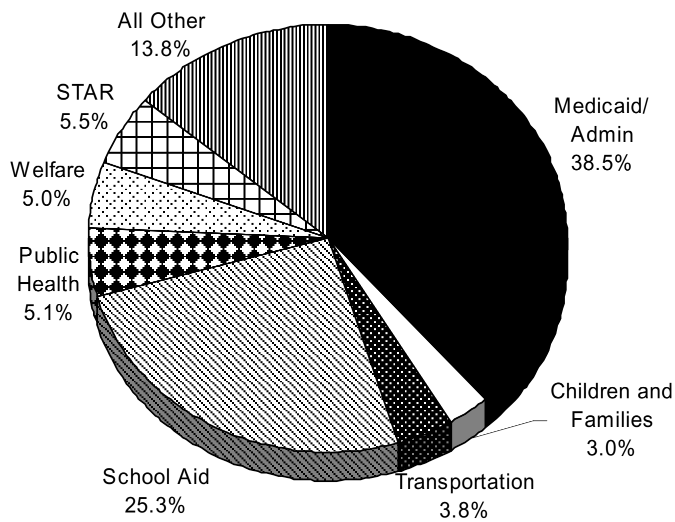
In general, the forecasts are described in two parts: the first describes the current services estimate for the 2007-08 fiscal year for major programs or activities; the second summarizes the Enacted Budget actions. The combination of current services spending growth and Enacted Budget actions produce the resulting annual change in spending.

The current services estimates are based on agency staffing levels, program caseloads, formulas contained in State and Federal law, inflation and other factors. The factors that affect spending estimates vary by program. For example, welfare spending is based primarily on anticipated caseloads that are estimated by analyzing historical trends, projected economic conditions, and changes in Federal law. In correctional services, spending estimates are based in part on estimates of the State's prison population, which in turn depend on forecasts of incarceration rates, release rates, and conviction rates. All projections account for the timing of payments, since not all the amounts appropriated in the budget are disbursed in the same fiscal year.

## Grants to Local Governments

Grants to Local Governments (Local Assistance) includes payments to local governments, school districts, healthcare providers, and other local entities, as well as certain financial assistance to, or on behalf of, individuals, families, and nonprofit organizations. Local Assistance comprises 71 percent of All Funds spending.

**2007-08 All Funds Local Assistance Spending**
**$85.7 Billion**




In 2007-08, All Funds spending for local assistance is expected to total $85.7 billion. Total spending comprises State aid to medical assistance providers and public health programs ($37.5 billion), State aid to school districts, universities, and TAP ($31.5 billion), Temporary and Disability Assistance ($4.3 billion), mental hygiene programs ($3.5 billion), transportation ($2.9 billion), children and family services ($2.6 billion), and local government assistance ($943 million). Other local assistance programs include criminal justice, economic development, housing, parks and recreation, and environmental quality.

**Local Assistance Spending Projections**
**(millions of dollars)**

| | 2006-07 Results | 2007-08 Enacted | Annual Change | Percent Change |
|---|---|---|---|---|
| **General Fund** | **34,302** | **37,158** | **2,856** | **8.3** |
| Other State Support | 15,575 | 16,984 | 1,409 | 8.9 |
| **State Funds** | **49,877** | **54,142** | **4,265** | **8.5** |
| Federal Funds | 30,848 | 31,512 | 664 | 2.2 |
| **All Funds** | **80,725** | **85,654** | **4,929** | **6.1** |

The following chart highlights local assistance annual spending changes from 2006-07 to 2007-08 by major program and/or agency.

**Local Assistance Spending Projections**
**Major Sources of Annual Change**
**(millions of dollars)**

| | General Fund | State Funds | All Funds |
|---|---|---|---|
| **2006-07 Results (unaudited)** | **34,302** | **49,877** | **80,725** |
| School Aid | 1,506 | 1,659 | 1,706 |
| STAR | 0 | 736 | 736 |
| Public Health | 138 | 93 | 393 |
| Mental Hygiene | 253 | 325 | 326 |
| Homeland Security | 0 | 0 | 325 |
| Children and Families | 174 | 175 | 267 |
| Transportation | 46 | 541 | 261 |
| Temporary and Disability Assistance | 118 | 123 | 203 |
| Environmental Conservation | 7 | 96 | 161 |
| Medicaid (incl Admin) | 161 | 22 | (21) |
| All Other | 453 | 495 | 572 |
| **2007-08 Enacted Budget** | **37,158** | **54,142** | **85,654** |
| *Annual Dollar Change* | *2,856* | *4,265* | *4,929* |
| *Annual Percent Change* | *8.3%* | *8.6%* | *6.1%* |

For 2007-08, All Funds local assistance spending is projected to total $85.7 billion, an increase of $4.9 billion (6.1 percent) over 2006-07 results. The growth is primarily driven by projected increases in School Aid ($1.7 billion), STAR spending ($736 million) which includes the expanded Middle Class STAR program, Public Health ($393 million), Mental Hygiene ($326 million), and Homeland Security ($325 million).

These annual changes in local assistance, as further categorized by current service requirements in addition to Enacted Budget savings and new initiatives, are outlined in more detail below.

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**Local Assistance**
**Sources of Annual Spending Increase/(Decrease) from 2006-07 to 2007-08**
**(millions of dollars)**

| | General Fund | Other State Funds | Federal Funds | All Funds |
|---|---|---|---|---|
| **Current Services:** | **2,902** | **36** | **852** | **3,790** |
| Medicaid (incl Admin) | 938 | (383) | 459 | 1,014 |
| School Aid | 768 | 154 | 46 | 968 |
| Homeland Security | 0 | 0 | 325 | 325 |
| Mental Hygiene | 255 | 30 | 1 | 286 |
| Public Health | 88 | 205 | 19 | 312 |
| Children and Families | 173 | 1 | 92 | 266 |
| Temporary and Disability Assistance | 156 | 6 | 95 | 257 |
| Other Education | 108 | 13 | 53 | 174 |
| Transportation | 45 | 237 | (280) | 2 |
| STAR | 0 | (275) | 0 | (275) |
| All Other | 371 | 48 | 42 | 461 |
| **Enacted Savings:** | **(1,206)** | **15** | **(581)** | **(1,772)** |
| Medicaid Actions | (834) | 219 | (574) | (1,189) |
| Public Health | (49) | (185) | 0 | (234) |
| Local Government Assistance | (213) | 0 | 0 | (213) |
| Temporary and Disability Assistance | (37) | 0 | 0 | (37) |
| Children and Families | (27) | 0 | 0 | (27) |
| All Other | (46) | (19) | (7) | (72) |
| **New Initiatives:** | **1,160** | **1,358** | **393** | **2,911** |
| Middle Class STAR | 0 | 1,011 | 0 | 1,011 |
| School Aid | 738 | 0 | 0 | 738 |
| Public Health/F-SHRP | 93 | 24 | 311 | 428 |
| MTA/Transit Assistance | 1 | 297 | 0 | 298 |
| Other Education | 97 | 0 | 0 | 97 |
| Medicaid | 57 | 24 | 74 | 73 |
| Mental Hygiene | 37 | 5 | 0 | 42 |
| Children and Families | 29 | 0 | 0 | 29 |
| Community College Base Aid | 26 | 0 | 0 | 26 |
| All Other | 82 | (3) | 8 | 87 |
| **Total Annual Change** | **2,856** | **1,409** | **664** | **4,929** |

## *Current Services*

For 2007-08, on an All Funds basis, current service requirements increase by $3.8 billion above 2006-07 results. Over half of this increase is concentrated in School Aid and Medicaid ($1.0 billion each). Specific initiatives are described in more detail below.

**Medicaid Program Growth:** General Fund Medicaid spending is growing due to several factors, including the increasing cost of providing health care services, the rising number of recipients, and increases in medical service utilization in nursing homes and managed care programs. Other changes affecting growth include increases in managed care premiums and escalating prescription drug costs. Program growth in 2007-08 is partially offset in the General Fund by the prepayment in 2006-07 of expenses for Supplemental Medical Insurance and a Medicare Part D payment to the Federal government and by the timing of the use of certain assessment and drug rebate revenues. In Federal Funds, growth is partially reduced by the payment in 2006-07 instead of 2007-08 of certain Federal disproportionate share aid to hospitals. The number of Medicaid recipients is projected to reach 3.8 million in 2007-08, an increase of 4.0 percent over the current fiscal year.

**School Aid**: Growth reflects the balance of the 2006-07 school year increase and the level of spending growth which was already projected in the State's current services plan. School aid commitments are made on a July 1 starting school-year basis, thus, each fiscal year, there is a "tail" of payments related to the prior-school year increase (roughly 30 percent of the prior-year total).

**Homeland Security:** As a result of the continued centralization of all "homeland security" grants, Federal grants previously budgeted in Criminal Justice Services have been transferred to the Office of Homeland Security (roughly $100 million). In addition, delays in Federal Homeland Security spending resulted in approximately $131 million of this spending being shifted from 2006-07 to 2007-08.

**Mental Hygiene:** Reflects increases in existing program commitments and mandates for the Office of Mental Retardation and Developmental Disabilities (OMRDD), the Office of Mental Health (OMH), and the Office for Alcohol and Substance Abuse Services (OASAS).

**Public Health:** Reflects increases in existing program commitments for Elderly Pharmaceutical Insurance Coverage (EPIC), the Early Intervention Program, and other reimbursements to local governments for the cost of providing local public health services.

**Children and Families:** Largely reflects the human services cost of living adjustment (COLA) and other legislative additions to services provided to children and families.

**Temporary and Disability Assistance:** Temporary Assistance for Needy Families (TANF) and Supplemental Security Income (SSI) are expected to increase over the prior year.

**Other Education:** Aid to non-public schools and special education costs are expected to increase over the prior year.

**Transportation:** Largely reflects timing of transit aid.

**STAR:** Reflects the replacement of the 2006-07 property tax rebate program with the new Middle Class STAR rebate program, partly offset by program growth in other STAR tax exemptions and Personal Income Tax (PIT) relief.

## Enacted Savings

Nearly two-thirds of the Enacted Budget's All Funds and General Fund local assistance savings plan relies on Medicaid actions ($1.2 billion). Other significant savings actions are described in more detail below.

**Medicaid Actions:** Largely reflects a strengthening of anti-fraud capabilities, a change in 2007 rates, pharmaceutical savings, and a reduction in workforce recruitment and retention.

**Public Health:** Reflects program reductions and other savings initiatives in public health programs, particularly in EPIC, Early Intervention, and programs financed by the Health Care Reform Act (HCRA).

**Local Government Assistance**: Largely reflects a one-time reduction in New York City's unrestricted local government assistance, part of which is invested in funding for distressed municipalities.

**Temporary and Disability Assistance:** Reflects the reprogramming of TANF funding.

**Children and Families**: Largely reflects a cap on the rate of reimbursable growth for certain services and implementation delays in certain programs.

## New Initiatives

The largest areas of investment in local assistance are described in detail below.

**Middle Class STAR:** Reflects an increased fiscal year cash impact of $1.0 billion in 2007-08. Middle Class STAR is targeted to benefit homeowners with incomes of $250,000 or less, based on a sliding scale increase in benefits. Under the 2007-08 STAR program, homeowners will get an increase of approximately 60 percent in their STAR savings via a rebate check if their household income is $90,000 or less ($120,000 or less in the New York City metropolitan region).

**School Aid:** This amount represents the new school year commitments related to the 2007-08 school year increase of $1.8 billion, approximately 70 percent of which is payable in the State's 2007-08 fiscal year. The school aid growth reflects increased funding for a new Foundation Aid Program (which represents $13.6 billion of total school aid funding of $19.6 billion), an expansion in the Universal Prekindergarten program ($146 million) and an increase in Transportation Aid ($81 million).

**Public Health/F-SHRP:** Reflects the disbursement of Federal aid pursuant to the Federal-State Health Reform Partnership Program (F-SHRP), and other public health investments.

**MTA/Transit Assistance:** Largely reflects State aid increases to the Metropolitan Transit Authority (MTA), which will be financed with existing dedicated fund balances.

**Other Education:** Includes additional aid for non-public schools to comply with State attendance-taking requirements, additional funding for a variety of legislative initiatives, and other additional aid.

**Medicaid:** New initiatives include the simplification of enrollment, long-term care initiatives, demonstration projects for high-cost users, and additional hospital funding.

**Mental Hygiene:** Reflects Enacted Budget initiatives at OMH, OMRDD, and OASAS.

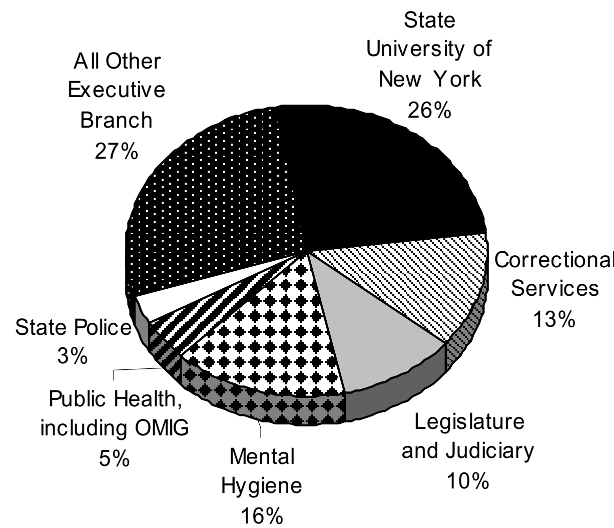
**Chilren and Families:** The Enacted Budget provides additional funding for programs serving children and families.

**Community College Base Aid:** For the 2007-08 academic year, base operating aid for SUNY and CUNY community colleges will be raised by $150 per full-time student to a total of $2,675 per full-time student.

## State Operations

State Operations spending is for personal service (PS) and non-personal service (NPS) costs. Personal service costs, which account for approximately two-thirds of State Operations spending, includes salaries of State employees of the Executive Branch, Legislature, and Judiciary, as well as overtime payments and costs for temporary employees. Non-personal service costs, which account for the remaining one-third of State Operations, represent the operating costs of State agencies, including real estate rental, utilities, contractual payments (e.g., consultants, information technology and professional business services), supplies and materials, equipment, telephone service and employee travel.

**2007-08 All Funds State Operations Spending - $18.7 Billion**




All Funds State Operations spending is projected at $18.7 billion in 2007-08, which finances the costs of Executive Branch agencies ($16.7 billion) and the Legislature and Judiciary ($1.9 billion). The largest executive branch agencies include SUNY ($4.8 billion; 39,834 Full Time Equivalent Employees (FTEs)), Correctional Services ($2.4 billion; 31,756 FTEs), Mental Hygiene ($2.9 billion; 40,422 FTEs), Public Health, including Office of the Medicaid Inspector General (OMIG) ($842 million; 6,674 FTEs), and State Police ($627 million; 5,927 FTEs).

Approximately 93 percent of the State workforce is unionized. The largest unions include the Civil Service Employees Association, which primarily represents office support staff and administrative personnel, machine operators, and therapeutic and custodial care staff; the Public Employees Federation which primarily represents professional and technical personnel (e.g., attorneys, nurses, accountants, social workers, and institution teachers); United University Professions which represents faculty and non-teaching professional staff within the State University system; and the New York State Correctional Officers and Police Benevolent Association comprised of security personnel (e.g., correction officers, safety and security officers).

The State workforce, which reflects full-time employees of the Executive Branch, excluding the Legislature, Judiciary, and contractual labor, is projected to total 198,413 in 2007-08, an increase of 2,887 FTEs over 2006-07 levels. Increases are expected in Mental Hygiene agencies (504 FTEs) primarily due to staffing related to the Sex Offender Management and Treatment Act and the NYS-CARES II program; the Office of the Medicaid Inspector General (284 FTEs), reflecting staffing growth needed for Medicaid audit and fraud prevention activities; Health (427 FTEs) and Labor (415 FTEs) reflecting authorized fill levels for 2007-08; Law (277 FTEs) due to several initiatives including Medicaid Fraud Investigation, the sex offender initiative, and Project Sunlight; Tax and Finance (158 FTEs) for enhanced compliance; and OCFS (215 FTEs) primarily for the addition of direct-care staff to improve the health and safety of youth and staff at youth facilities, offset by other changes.

**State Operations Spending Projections (millions of dollars)**

| | 2006-07 Results | 2007-08 Enacted | Annual Change | Percent Change |
|---|---|---|---|---|
| **General Fund** | **9,319** | **9,620** | **301** | **3.2%** |
| Other State Support | 5,195 | 5,821 | 626 | 12.1% |
| **State Funds** | **14,514** | **15,441** | **927** | **6.4%** |
| Federal Funds | 3,013 | 3,285 | 272 | 9.0% |
| **All Funds** | **17,527** | **18,726** | **1,199** | **6.8%** |

All Funds State Operations spending is expected to total $18.7 billion in 2007-08, comprised of Personal Services PS ($12.0 billion) and Non-Personal Service NPS ($6.7 billion). The majority of State Operations spending is for SUNY ($4.8 billion), Correctional Services ($2.4 billion), Judiciary ($1.9 billion), OMRDD ($1.5 billion) and OMH ($1.3 billion).

State Operations spending by category, based upon historical spending trends, is allocated among employee base salaries (62 percent), overtime payments (3 percent), contractual services (23 percent), supplies and materials (6 percent), employee travel (1 percent) and other operational costs (5 percent).

**All Funds State Operations Spending Projections Major Sources of Annual Change (millions of dollars)**

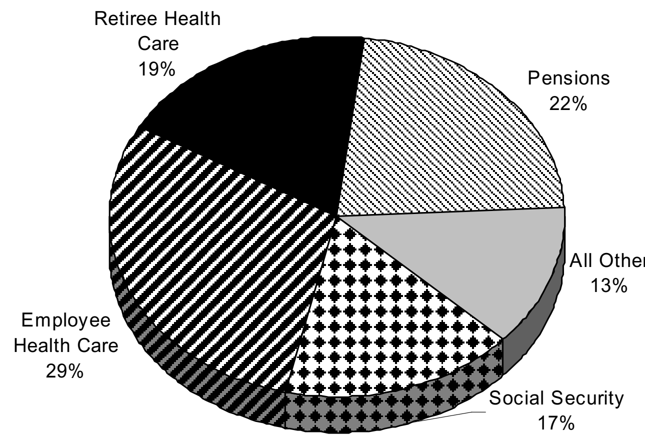
| | Personal Service | Non-Personal Service | State Operations |
|---|---|---|---|
| **2006-07 Results (unaudited)** | **11,555** | **5,972** | **17,527** |
| State University of New York | 168 | 187 | 355 |
| Insurance Department | (19) | 137 | 118 |
| Health, including OMIG | 51 | 63 | 114 |
| Judiciary | 66 | 27 | 93 |
| Mental Retardation | 45 | 27 | 72 |
| Mental Health | 85 | (28) | 57 |
| Homeland security | 35 | 18 | 53 |
| City University of New York | 45 | 8 | 53 |
| Tribal State Compact | 0 | 40 | 40 |
| Wireless Network | 1 | 33 | 34 |
| Correctional Services | (125) | 53 | (72) |
| All Other | 107 | 169 | 276 |
| **2007-08 Enacted Budget** | **12,023** | **6,703** | **18,726** |
| *Annual Dollar Change* | *468* | *731* | *1,199* |
| *Annual Percent Change* | *4.1%* | *12.2%* | *6.8%* |

All Funds State Operations spending increase of $1.2 billion (6.8 percent) is primarily driven by projected increases in SUNY ($355 million), the Insurance Department ($118 million), Public Health ($114 million), Judiciary ($93 million), OMRDD ($72 million), OMH ($57 million), Homeland Security ($53 million), and CUNY ($53 million), partially offset by a projected decline in DOCS ($72 million).

## General State Charges

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

**General State Charges**
**2007-08 All Funds Spending - $5.4 billion**




| General State Charges Spending Projections (millions of dollars) | | | | |
|---|---|---|---|---|
| | 2006-07 Results | 2007-08 Enacted | Annual Change | Percent Change |
| **General Fund** | **4,403** | **4,530** | **127** | **2.9%** |
| Other State Support | 594 | 614 | 20 | 3.4% |
| **State Funds** | **4,997** | **5,144** | **147** | **2.9%** |
| Federal Funds | 226 | 242 | 16 | 7.1% |
| **All Funds** | **5,223** | **5,386** | **163** | **3.1%** |

Employee fringe benefits are paid mostly from the General Fund (84 percent), supplemented with revenue from fringe benefit assessments on Federal funds and other dedicated revenue programs (16 percent). Other General State Charges costs are paid in full by General Fund revenues.

All Funds spending on General State Charges is expected to total $5.4 billion in 2007-08, and comprises health insurance spending for employees ($1.6 billion) and retirees ($1.0 billion), pensions ($1.2 billion) and social security ($873 million).

## 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 (e.g., Empire State Development Corporation, Dormitory Authority of the State of New York, Thruway Authority) for which the State is contractually obligated to pay debt service, subject to an appropriation. Depending on the credit structure, debt service is financed through transfers from the General Fund, dedicated taxes and fees, and other resources, such as patient income revenues.

| Debt Service Spending Projections (millions of dollars) | | | | |
|---|---|---|---|---|
| | 2006-07 Results | 2007-08 Enacted | Annual Change | Percent Change |
| **General Fund** | **1,906** | **1,579** | **(327)** | **-17.2%** |
| Other State Support | 2,545 | 2,555 | 10 | 0.4% |
| **State Funds** | **4,451** | **4,134** | **(317)** | **-7.1%** |
| **All Funds** | **4,451** | **4,134** | **(317)** | **-7.1%** |

All Funds debt service is projected at $4.1 billion in 2007-08, of which $1.58 billion is paid from the General Fund through transfers and $2.6 billion from other State funds, primarily dedicated taxes. The year-to-year decrease is due to the timing of payments which were made at the end of 2006-07 (absent such payments, 2007-08 debt service would have increased by an estimated 4.3 percent). Debt service is paid on revenue credits supported by dedicated taxes and fees and patient income, including Personal Income Tax Revenue Bonds, DHBTF bonds and Mental Health facilities bonds, as well as service contract bonds that are secured mainly by the General Fund. For more information, see the "Debt and Other Financing Activities" section later in this AIS.

## Capital Projects

The Capital Projects Fund group accounts for spending across all functional areas to finance costs related to the acquisition, construction, repair or renovation of fixed assets. Spending from appropriations made from over 30 capital projects funds are financed from four sources: annual State taxes or dedicated miscellaneous receipts, grants from the Federal government, the proceeds of notes or bonds issued pursuant to General Obligation Bond Acts which are approved by the State voters, and the proceeds of notes or bonds issued by public authorities pursuant to legal authorization for State capital spending.

| Capital Projects Spending Projections (millions of dollars) | | | | |
|---|---|---|---|---|
| | 2006-07 Results | 2007-08 Enacted | Annual Change | Percent Change |
| **General Fund** | **389** | **82** | **(307)** | **-78.9%** |
| Other State Support | 3,432 | 5,271 | 1,839 | 53.6% |
| **State Funds** | **3,821** | **5,353** | **1,532** | **40.1%** |
| Federal Funds | 1,737 | 1,999 | 262 | 15.1% |
| **All Funds** | **5,558** | **7,352** | **1,794** | **32.3%** |

All Funds capital spending of $5.6 billion in 2006-07 is projected to increase to $7.3 billion in 2007-08. In fiscal year 2007-08, transportation spending, primarily for improvements and maintenance to the State's highways and bridges, continues to account for the largest share (57 percent) of this total. The balance of projected spending will support capital investments in the areas of education (9 percent), mental hygiene and public protection (9 percent), economic development and government oversight (8 percent), parks and the environment (8 percent), and health and social welfare, general government, and other areas (9 percent). For more information, see the "Debt and Other Financing Activities" section later in this AIS

## Other Financing Sources/(Uses)

Every year, the State authorizes the transfer of resources among funds and accounts. All Funds transfers from other funds are expected to total $21.3 billion and comprise of $11.9 billion in the General Fund, $3.7 billion in the Special Revenue Funds, $5.5 billion in the Debt Service Funds and $293 million in the Capital Projects Funds.

All Funds transfers to other funds are also expected to total $21.3 billion and comprise $2.4 billion in the General Fund, $3.6 billion in the Special Revenue Funds, $14.4 billion in the Debt Service Funds and $947 million in the Capital Projects Funds.

The most significant General Fund transfer to other funds is for general debt service ($1.6 billion). Other significant General Fund transfers to other funds include Judiciary transfers to the Court Facilities Incentive Aid Fund, New York City County Clerks Fund, and Judiciary Data Processing Fund ($211 million, total) and transfers representing payments for patients residing in State-operated Health, Mental Hygiene and State University facilities ($174 million), SUNY hospital subsidy payments ($110 million), and to the Capital Projects fund for pay-as-you-go projects ($82 million). All other transfers to other funds totaled $219 million; the most significant include $69 million for the payment of banking services, $33 million for transit, $25 million for stem cell research, and $20 million for OMRDD.

Of the $11.9 billion General Fund transfer from other funds, $11.3 billion results from dedicated Personal Income, Sales and Real Estate Transfer taxes above required debt service. All other fund/account sweeps total $537 million, the largest of which include $133 million from the Tribal-State Compact, $100 million in miscellaneous special revenue sweeps, $28 million from DMV, $27 million from the Hazardous Waste Fund, and $21 million from the Cultural Education account.

# General Fund Financial Plan Outyear Projections

## Impact of Enacted Budget on Gap Forecast

The actions included in the 2007-08 Enacted Budget result in a balanced General Fund Financial Plan in 2007-08 and projected outyear gaps of $3.1 billion in 2008-09, $4.8 billion in 2009-10, and $6.6 billion in 2010-11.

The projected spending increases are driven by rising costs for public health care, the State-financed cap on local Medicaid spending, employee and retiree health benefits, mental hygiene services, child welfare programs, as well as the new initiatives for school aid and health care. Over the same period, General Fund receipts are estimated to grow at just over 4 percent a year (after tax cuts), consistent with the DOB's forecast of moderating economic growth.

The following table summarizes the Financial Plan projections on the 2008-09 through 2010-11 budget gaps, as well as the annual changes in projected receipts, disbursements, the use of reserves, and changes in fund balances.

| General Fund Enacted Budget Forecast (millions of dollars) | 2007-2008 | 2008-2009 | 2009-2010 | 2010-2011 |
|---|---|---|---|---|
| **Receipts:** | | | | |
| Taxes: | | | | |
| Personal income tax | 22,885 | 24,128 | 25,576 | 26,979 |
| User taxes and fees | 8,565 | 8,900 | 9,213 | 9,539 |
| Business taxes | 6,679 | 6,807 | 7,113 | 7,392 |
| Other taxes | 1,135 | 1,211 | 1,342 | 1,425 |
| Miscellaneous receipts | 2,485 | 2,054 | 2,456 | 2,459 |
| Federal grants | 59 | 59 | 59 | 59 |
| Transfers from other funds | 11,864 | 12,020 | 12,499 | 13,015 |
| PIT in excess of Revenue Bond debt service | 8,445 | 8,765 | 9,133 | 9,505 |
| Sales tax in excess of LGAC debt service | 2,320 | 2,363 | 2,469 | 2,579 |
| Real estate taxes in excess of CW/CA debt service | 561 | 614 | 670 | 672 |
| All other | 538 | 278 | 227 | 259 |
| **Total receipts** | **53,672** | **55,179** | **58,258** | **60,868** |
| **Disbursements:** | | | | |
| Grants to local governments | 37,158 | 40,951 | 44,762 | 48,347 |
| State operations | 9,620 | 9,999 | 10,398 | 10,644 |
| General State Charges | 4,530 | 4,949 | 5,342 | 5,646 |
| Transfers to other funds | 2,376 | 2,851 | 2,993 | 3,408 |
| Debt service | 1,579 | 1,709 | 1,706 | 1,740 |
| Capital projects | 82 | 277 | 489 | 862 |
| Other purposes | 715 | 865 | 798 | 806 |
| **Total disbursements** | **53,684** | **58,750** | **63,495** | **68,045** |
| **Change in Reserves:** | | | | |
| Debt Reduction Reserve Fund | 250 | 0 | 0 | 0 |
| Rainy Day Reserve Fund | 175 | 0 | 0 | 0 |
| Community Projects Fund | 75 | (65) | (65) | (151) |
| Prior Year Surpluses | (512) | (401) | (401) | (401) |
| **Deposit to/(Use of Gap)** | **(12)** | **(466)** | **(466)** | **(552)** |
| **Enacted Budget Surplus/(Gap) Estimate** | 0 | (3,105) | (4,771) | (6,625) |

In evaluating the State's outyear operating forecast, it should be noted that the reliability of the estimates as a predictor of the State's future fiscal condition is likely to diminish as one moves further from the current-year and budget-year estimates. Accordingly, the 2008-09 forecast is perhaps the most relevant from a planning perspective, since any gap in that year must be closed with the next budget and the variability of the estimates is likely to be less than in later years.

The following chart provides a "zero-based" look at the causes of the 2008-09 General Fund budget gap, followed by a brief summary of the assumptions behind the projections. Detailed explanation of the assumptions underlying the outyear revenue and spending projections appear elsewhere in this section.

| 2008-09 General Fund Annual Change<br>Savings/(Costs)<br>(millions of dollars) | |
|---|---|
| | **2008-09** |
| **RECEIPTS** | **1,507** |
| Constant Law Growth | 3,267 |
| Existing Tax Reductions | (130) |
| Uncommon Audit Collections | (117) |
| Change in STAR Tax Cuts | (650) |
| Change in Debt Service (RBTF/LGAC/CWCA) | (370) |
| Non-recurring 2007-08 Payments (NYPA; SONYMA; Hurricane Katrina) | (299) |
| Non-recurring Abandoned Property | (84) |
| All Other | (110) |
| **DISBURSEMENTS** | **(5,066)** |
| **Local Assistance** | **(3,793)** |
| Medicaid | (2,104) |
| *Program Growth/Other* | (1,255) |
| *Medicaid Cap/Family Health Plus Takeover* | (374) |
| *Change in HCRA/Provider Assessment Financing* | (475) |
| School Aid | (876) |
| Local Government Assistance | (380) |
| Mental Hygiene | (219) |
| Children and Family Services | (149) |
| All Other Local Assistance | (65) |
| **State Operations** | **(379)** |
| Personal Service | (215) |
| Non-personal Service | (164) |
| **General State Charges** | **(419)** |
| Health Insurance | (363) |
| Pensions | (41) |
| All Other | (15) |
| **Transfers to Other Funds** | **(475)** |
| Debt Service | (130) |
| Capital Projects | (195) |
| All Other | (150) |
| **Use of Reserves (net)** | **454** |
| **CURRENT SERVICES BUDGET GAP FOR 2008-09** | **(3,105)** |

The forecast for 2008-09 is based on assumptions of economic performance, revenue collections, spending patterns, and projections for the current services costs of program activities. DOB believes the estimates of annual change in revenues and spending that create the 2008-09 current services gap forecast are based on reasonable assumptions and methodologies. Significant assumptions that affect the forecast include:

- **Economic growth will continue during the forecast period.** DOB's forecast calls for moderate expansion in the economy. The momentum of the State's expansion appears to have peaked in 2005, and the forecast calls for positive, but slowing, growth in 2007 and a return to trend growth in the outyears.

- **Revenues, adjusting for tax law changes, will grow in the range of 5 percent to 6 percent annually.** The growth rate is consistent with DOB's forecast for the economy, but, as in any year, is subject to significant volatility. Changes in the economic growth rate, Federal law, and taxpayer behavior all have a significant influence on receipts collections.
- **The Federal government will not make substantive funding changes** to major aid programs or make substantive regulatory changes that adversely affect the State.
- **The projections do not include any extra costs for new labor settlements** or pay increases for judges or elected officials. Current labor contracts expired on April 1, 2007. Each 1 percent salary increase is valued at $86 million in the General Fund and $134 million in All Funds.
- **The projections do not assume the use of one-time resources.** In a typical year, the Financial Plan will include in the range of $500 million in such resources and DOB expects similar levels could be achieved in the future.

Changes to these or other assumptions have the potential to materially alter the size of the budget gaps for 2008-09 and beyond.

## Outyear General Fund Disbursement Projections

DOB forecasts General Fund spending of $58.8 billion in 2008-09, an increase of $5.1 billion (9.4 percent) over projected 2007-08 levels. Growth in 2009-10 is projected at $4.7 billion (8.1 percent) and in 2010-11 at $4.6 billion (7.2 percent). The growth levels are based on current services projections, as modified by the actions contained in the 2007-08 Enacted Budget. **The State Constitution requires the Governor to annually submit a balanced budget to the Legislature. The current estimates do not incorporate any proposals to control spending that are likely to be part of any balanced budget submission in 2008-09 and in future years.** The main sources of annual spending growth for 2008-09, 2009-10, and 2010-11 are itemized in the following table.

| General Fund Disbursement Projections (millions of dollars) | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2007-08 | 2008-09 | Annual $ Change | 2009-10 | Annual $ Change | 2010-11 | Annual $ Change |
| **Grants to Local Governments:** | **37,158** | **40,951** | **3,793** | **44,762** | **3,811** | **48,347** | **3,585** |
| School Aid | 16,170 | 17,046 | 876 | 18,576 | 1,530 | 20,358 | 1,782 |
| Medicaid | 8,081 | 9,811 | 1,730 | 11,166 | 1,355 | 11,893 | 727 |
| Medicaid: Takeover Initiatives | 974 | 1,348 | 374 | 1,898 | 550 | 2,453 | 555 |
| Higher Education | 2,388 | 2,460 | 72 | 2,515 | 55 | 2,542 | 27 |
| Mental Hygiene | 1,858 | 2,077 | 219 | 2,244 | 167 | 2,349 | 105 |
| Children and Families Services | 1,530 | 1,679 | 149 | 1,782 | 103 | 1,875 | 93 |
| Temporary and Disability Assistance | 1,394 | 1,438 | 44 | 1,434 | (4) | 1,429 | (5) |
| Special Education - Categorical | 1,025 | 1,083 | 58 | 1,145 | 62 | 1,210 | 65 |
| Local Government Assistance | 943 | 1,323 | 380 | 1,364 | 41 | 1,420 | 56 |
| Public Health | 719 | 771 | 52 | 756 | (15) | 766 | 10 |
| Transportation | 106 | 105 | (1) | 105 | 0 | 104 | (1) |
| All Other | 1,970 | 1,810 | (160) | 1,777 | (33) | 1,948 | 171 |
| **State Operations:** | **9,620** | **9,999** | **379** | **10,398** | **399** | **10,644** | **246** |
| Personal Service | 6,709 | 6,924 | 215 | 7,156 | 232 | 7,268 | 112 |
| Non-Personal Service | 2,911 | 3,075 | 164 | 3,242 | 167 | 3,376 | 134 |
| **General State Charges** | **4,530** | **4,949** | **419** | **5,342** | **393** | **5,646** | **304** |
| Pensions | 1,185 | 1,226 | 41 | 1,330 | 104 | 1,332 | 2 |
| Health Insurance (Active Employees) | 1,586 | 1,808 | 223 | 1,972 | 164 | 2,152 | 180 |
| Health Insurance (Retired Employees) | 1,007 | 1,148 | 141 | 1,255 | 107 | 1,373 | 118 |
| All Other | 752 | 769 | 17 | 785 | 16 | 789 | 4 |
| **Transfers to Other Funds:** | **2,376** | **2,851** | **475** | **2,993** | **142** | **3,408** | **415** |
| Debt Service | 1,579 | 1,709 | 130 | 1,706 | (3) | 1,740 | 34 |
| Capital Projects | 82 | 277 | 195 | 489 | 212 | 862 | 373 |
| All Other | 715 | 865 | 150 | 798 | (67) | 806 | 8 |
| **Total Disbursements** | **53,684** | **58,750** | **5,066** | **63,495** | **4,745** | **68,045** | **4,550** |

## Grants to Local Governments

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

| Forecast for Selected Program Measures Affecting Local Assistance (millions of dollars) | | | | | |
|---|---|---|---|---|---|
| | Actual | Forecast | | | |
| | 2006-07 * | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
| **Medicaid** | | | | | |
| Medicaid Coverage (excl. FHP) | 3,690,578 | 3,854,312 | 4,008,484 | 4,168,824 | 4,335,577 |
| Medicaid Inflation | 1.4% | 1.8% | 4.4% | 4.7% | 4.3% |
| Medicaid Utilization | 1.1% | 1.4% | 3.4% | 3.5% | 3.3% |
| State Takeover of County/NYC Costs | | | | | |
| - Family Health Plus | $438 | $477 | $518 | $530 | $547 |
| - Medicaid | $332 | $497 | $830 | $1,368 | $1,906 |
| **Education** | | | | | |
| School Aid (School Year) | $17,900 | $19,600 | $21,000 | $23,200 | $25,500 |
| K-12 Enrollment | 2,794,393 | 2,761,450 | 2,761,450 | 2,761,450 | 2,761,450 |
| Public Higher Education Enrollment (FTEs) | 503,538 | 515,178 | 515,178 | 515,178 | 515,178 |
| TAP Recipients | 323,000 | 318,000 | 318,000 | 318,000 | 318,000 |
| **Welfare** | | | | | |
| Family Assistance Caseload | 415,200 | 397,600 | 393,000 | 391,900 | 391,400 |
| Single Adult/No Children Caseload | 150,600 | 155,400 | 155,400 | 154,100 | 152,600 |
| **Mental Hygiene** | | | | | |
| Mental Hygiene Community Beds | 84,465 | 87,409 | 90,196 | 92,462 | 94,271 |

## School Aid

On a school year basis, school aid is projected at $21.0 billion in 2008-09, $23.2 billion in 2009-10, and $25.5 billion in 2010-11. On a State fiscal year basis, General Fund school aid spending is projected to grow by $875 million in 2008-09, $1.5 billion in 2009-10, and $1.8 billion in 2010-11. Outside the General Fund, revenues from lottery sales are projected to increase by $63 million in 2008-09, $97 million in 2009-10, and $27 million in 2010-11, to a total of $2.2 billion in 2008-09 growing to $2.3 billion in 2010-11. In addition, VLT revenues are projected to increase by $476 million in 2008-09, $286 million in 2009-10, and $430 million in 2010-11, to a total of $1.1 billion in 2008-09 and growing to $1.8 billion in 2010-11. The VLT estimates assume the start of operations at Aqueduct by April 2008 and the approval of a proposed expansion plan in 2007-08, which is expected to provide $150 million of the increase planned in 2008-09, growing to $766 million in additional revenue provided in 2010-11.

The Financial Plan assumes that certain school aid initiatives included in the 2007-08 Enacted Budget are non-recurring. Specifically, High Tax Aid ($100 million); Supplemental Public Excess Cost Aid ($21 million) and the New York City Academic Achievement Grant ($89 million). In future years, projected school aid increases are primarily due to increases in Foundation Aid; Universal Prekindergarten expansion; and increases in expense-based aids such as Building Aid and Transportation Aid as detailed in the following table.

| Four Year School Aid Projection -- School Year Cumulative Increase (millions of dollars) | | | | |
|---|---|---|---|---|
| | Enacted | Forecast | | |
| | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
| Foundation Aid | 1,092 | 2,343 | 3,858 | 5,512 |
| Universal Prekindergarten | 103 | 200 | 300 | 350 |
| Additional Prekindergarten | 43 | 0 | 0 | 0 |
| High Tax Aid | 100 | 0 | 0 | 0 |
| Supplemental Public Excess Cost | 21 | 0 | 0 | 0 |
| New York City Academic Achievement Grant | 89 | 0 | 0 | 0 |
| EXCEL Building Aid | 112 | 184 | 197 | 197 |
| Expense-Based Aids (Building, Transportation, High Cost and Private Excess Cost, BOCES) | 142 | 332 | 785 | 1,280 |
| Other Aid Categories/Initiatives/Miscellaneous Growth | 63 | 63 | 200 | 300 |
| **School Aid Subtotal** | **1,765** | **3,122** | **5,340** | **7,639** |
| Other: SED State Operations--Accountability Initiative | 15 | 20 | 20 | 20 |
| **Total Cumulative Increase** | **1,780** | **3,142** | **5,360** | **7,659** |

## Medicaid

The Financial Plan projects that General Fund spending for Medicaid will grow by roughly $2.1 billion in 2008-09, $1.9 billion in 2009-10, and another $1.3 billion in 2010-11.

| Major Sources of Annual Change in Medicaid Growth General Fund (billions of dollars) | | | |
|---|---|---|---|
| | Increase from Prior Year | | |
| | 2008-09 | 2009-10 | 2010-11 |
| Price/Utilization/Admin Growth | 1.1 | 1.0 | 1.0 |
| Timing | 0.2 | 0.0 | 0.0 |
| Extra Weekly Payment | 0.0 | 0.3 | (0.3) |
| Medicaid Cap/FHP Takeover | 0.4 | 0.6 | 0.6 |
| Provider Assessments | 0.1 | 0.0 | 0.0 |
| HCRA Financing | 0.3 | 0.0 | 0.0 |
| **Total** | **2.1** | **1.9** | **1.3** |

This growth results, in part, from the combination of modest growth in recipients, service utilization, and medical care cost inflation. These factors are projected to add roughly $1.1 billion in costs annually. In 2009-10, an extra weekly payment to providers adds $300 million in spending. In addition, the State cap on local Medicaid costs and takeover of local FHP costs is projected to increase spending by $374 million in 2008-09, $550 million in 2009-10, and $555 million in 2010-11. The remaining growth is primarily attributed to certain nursing home delinquent payor assessment collections in 2007-08 that are not expected to recur in 2008-09 and lower levels of HCRA financing beginning in 2008-09, both of which are used to lower General Fund costs.

The average number of Medicaid recipients is expected to grow to 4 million in 2008-09, an increase of 4.0 percent from the estimated 2007-08 caseload of more than 3.8 million. FHP enrollment is estimated to grow to approximately 556,000 in 2008-09, an increase of 3 percent over projected 2007-08 enrollment of 540,000.

## Mental Hygiene

Mental Hygiene spending is projected at $2.1 billion in 2008-09, $2.2 billion in 2009-10, and $2.3 billion in 2010-11. The growth is largely attributable to increases in the projected State share of Medicaid costs, cost-of-living increases, projected expansions of the various mental hygiene service systems including OMH's Children's Services, increases in the NYS-CARES program and in the development of children's beds for out-of-state placements in OMRDD, the NY/NY III Supportive Housing agreement and community bed expansion in OMH, and several new chemical dependence treatment and prevention initiatives.

## Children and Family Services

Children and Family Services spending is projected to grow by roughly $100 million annually in the outyears. The increases are driven primarily by expected growth in the open-ended child welfare services program, the impact of the OCFS Medicaid waiver, and cost-of-living increases for workers in foster care, and foster and adoptive parents enacted in 2006-07.

## Temporary and Disability Assistance

Spending is projected at $1.4 billion in 2008-09, an increase of $44 million (3.2 percent) from 2007-08, and is expected to remain at virtually the same level in 2009-10 and 2010-11. Caseloads for family assistance and single adult/childless couples are projected to decline marginally. This reduction is more than countered by the reduced availability of Federal TANF to support public assistance costs, thereby increasing General Fund spending growth.

## Other Local

All other local assistance programs total $7.6 billion in 2008-09, an increase of approximately $400 million over 2007-08 Enacted levels. This growth in spending results primarily from increases in local government assistance ($380 million) as unrestricted aid to New York City is expected to return to prior-year levels ($308 million increase) and additional AIM funding for "high need" municipalities increases another $50 million above 2007-08 levels.

## State Operations

| Forecast of Selected Program Measures Affecting State Operations | Actual | Forecast | | | |
|---|---|---|---|---|---|
| | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
| **State Operations** | | | | | |
| Prison Population (Corrections) | 63,577 | 63,400 | 63,400 | 63,400 | 63,400 |
| Negotiated Salary Increases (1) | 3.00% | 0.0% | 0.0% | 0.0% | 0.0% |
| Personal Service Inflation | 0.8% | 0.8% | 0.8% | 0.8% | 0.8% |
| State Workforce | 195,526 | 198,413 | 199,184 | 199,184 | 199,184 |

(1) Negotiated salary increases include a recurring $800 base salary adjustment effective April 1, 2007.

State Operations spending is expected to total $10.0 billion in 2008-09, an annual increase of $379 million (3.9 percent). In 2009-10, spending is projected to grow by another $399 million to a total of $10.4 billion (3.9 percent). Spending in 2010-11 is projected to total $10.6 billion, $246 million above 2009-10 levels (2.4 percent). In all years, normal salary adjustments and increased staffing levels, primarily in mental health and corrections, drive higher personal service costs. Inflationary increases for non-personal service costs result in higher spending in all years. Additional growth is driven by spending for ongoing initiatives, including the civil commitment program Sexually Violent Offender and increasing medical and pharmacy costs in the areas of mental hygiene and corrections. The projections do not include any reserve for labor settlements after the current round of contracts, which expired on April 1, 2007 (United University Professions will expire on July 1, 2007).

## General State Charges (GSCs)

| Forecast of Selected Program Measures Affecting General State Charges | Actual | Forecast | | | |
|---|---|---|---|---|---|
| | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
| **General State Charges** | | | | | |
| Pension Contribution Rate | 10.2% | 9.5% | 9.9% | 11.0% | 11.0% |
| Employee/Retiree Health Insurance Rate | 10.4% | 6.6% | 14.0% | 9.2% | 9.2% |

GSCs are projected to total $5.0 billion in 2008-09, $5.3 billion in 2009-10 and $5.6 billion in 2010-11. The annual increases are due mainly to anticipated cost increases in pensions and health insurance for State employees and retirees.

The State's pension contribution rate to the New York State and Local Retirement System is expected to increase from 9.5 percent of salary in 2007-08 to 9.9 percent in 2008-09 and 11.0 percent in 2009-10 and 2010-11. Pension spending in 2008-09 is projected to increase by $41 million over 2007-08 due to anticipated increases in the employer contribution rate. In 2009-10, spending is projected to grow by another $104 million to a total of $1.3 billion, and remains virtually unchanged in 2010-11. Spending for employee and retiree health care costs is expected to increase by $364 million in 2008-09, $271 million in 2009-10, and another $298 million in 2010-11 and assumes an average annual premium increase of roughly 10 percent. Health insurance is projected at $3.0 billion in 2008-09 ($1.8 billion for active employees and $1.2 billion for retired employees), $3.3 billion in 2009-10 ($2.0 billion for active employees and $1.3 billion for retired employees), and $3.5 billion in 2010-11 ($2.1 billion for active employees and $1.4 billion for retired employees).

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

| | Health Insurance | | |
|---|---|---|---|
| **Year** | **Active Employees** | **Retirees** | **Total State** |
| **2006-07** | 1,492 | 940 | 2,432 |
| **2007-08** | 1,586 | 1,007 | 2,593 |
| **2008-09** | 1,808 | 1,148 | 2,956 |
| **2009-10** | 1,972 | 1,255 | 3,227 |
| **2010-11** | 2,152 | 1,373 | 3,525 |

All numbers reflect the cost of Health Insurance for General State Charges (Executive and Legislative branches) and the Office of Court Administration

## Transfers to Other Funds

In 2008-09, transfers to other funds are estimated at $2.9 billion, an increase of $480 million over 2006-07. This increase is primarily attributed to the first in a series of annual transfers to the Dedicated Highway Fund ($37 million) aimed at reducing fund gaps, annual transfers of $50 million to support development of a single State financial management system, annual transfers of $50 million for stem cell research, and a return to normal patterns for SUNY Hospital State subsidy payments ($42 million increase) and debt service requirements ($130 million increase) after an acceleration of 2007-08 payments into 2006-07. In 2009-10 and 2010-11, transfers to other funds are expected to increase by $141 million and $415 million, respectively, as capital transfers to the Dedicated Highway Fund rise by an additional $209 million and $364 million in each of those years.

# Financial Plan Reserves

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

The State projects that General Fund reserves will total $3.0 billion at the end of 2007-08 (5.6 percent of General Fund Spending) with $1.2 billion in undesignated reserves available to deal with unforeseen contingencies and $1.8 billion designated for subsequent use.

| 2007-08 General Fund Estimated Closing Balance (millions of dollars) | |
|---|---|
| **Year-End Fund Balance** | **3,033** |
| *Undesignated Reserves* | 1,227 |
| Tax Stabilization Reserve Fund | 1,031 |
| Rainy Day Reserve Fund | 175 |
| Contingency Reserve Fund | 21 |
| *Designated Reserves* | 1,806 |
| Remaining 2006-07 Surplus | 1,203 |
| Debt Reduction Reserve Fund | 250 |
| Community Projects Fund | 353 |

The $1.2 billion of undesignated reserves includes a balance of $1 billion in the Tax Stabilization Reserve, which is at its statutory maximum balance of 2 percent of General Fund spending, $175 million in the new Rainy Day Reserve, and $21 million in the Contingency Reserve Fund for litigation risks.

The Enacted Budget reserves another $1.8 billion designated for future use, including $1.2 billion remaining from the projected 2006-07 surplus (the Financial Plan projects that the reserve will be used in equal installments in each of the outyears). In addition, $250 million is set aside for debt reduction and $353 million is reserved in the Community Projects Fund to finance existing initiatives.

Aside from the amounts noted above, the 2007-08 Enacted Financial Plan does not set aside specific reserves to cover potential costs that could materialize as a result of Federal disallowances or other Federal actions that could adversely affect the State's projections of receipts and disbursements.

## Cash Flow Forecast

Current projections continue to show relatively healthy monthly balances through the end of 2007-08. In 2007-08, the General Fund is projected to have quarterly-ending balances of $4.2 billion in June 2007, $5.0 billion in September 2007, $2.4 billion in December 2007, and $3.1 billion at the end of March 2008. The lowest projected month-end cash flow balance is $2.4 billion in December 2007. DOB's detailed monthly cash flow projections for 2007-08 are provided later in this section.

OSC invests General Fund moneys, bond proceeds, and other funds not immediately required to make payments through the Short-Term Investment Pool (STIP), which comprises joint custody funds (Governmental Funds, Internal Service Funds, Enterprise Funds and Private Purpose Trust Funds), as well as several sole custody funds including the Tobacco Settlement Fund.

OSC is authorized to make short-term loans from STIP to cover temporary cash shortfalls in certain funds and accounts resulting from the timing of receipts and disbursements. The Legislature authorizes the funds and accounts that may receive loans each year, based on legislation submitted with the Executive Budget. Loans may be granted only for amounts that the Director of the Budget certifies are "receivable on account" or can be repaid from the current operating receipts of the fund (i.e., loans cannot be granted in expectation of future revenue enhancements).

**CASH FINANCIAL PLAN**
**GENERAL FUND**
**2006-2007 and 2007-2008**
**(millions of dollars)**

| | 2006-2007 Year-End | Change | 2007-2008 Enacted |
|---|---|---|---|
| **Opening fund balance** | 3,257 | (212) | 3,045 |
| **Receipts:** | | | |
| Taxes: | | | |
| Personal income tax | 22,939 | (54) | 22,885 |
| User taxes and fees | 8,186 | 379 | 8,565 |
| Business taxes | 6,468 | 211 | 6,679 |
| Other taxes | 1,075 | 60 | 1,135 |
| Miscellaneous receipts | 2,268 | 217 | 2,485 |
| Federal grants | 151 | (92) | 59 |
| Transfers from other funds: | | | |
| PIT in excess of Revenue Bond debt service | 7,136 | 1,309 | 8,445 |
| Sales tax in excess of LGAC debt service | 2,093 | 227 | 2,320 |
| Real estate taxes in excess of CW/CA debt service | 753 | (192) | 561 |
| All other transfers | 310 | 228 | 538 |
| **Total receipts** | 51,379 | 2,293 | 53,672 |
| **Disbursements:** | | | |
| Grants to local governments | 34,302 | 2,856 | 37,158 |
| State operations | 9,319 | 301 | 9,620 |
| General State charges | 4,403 | 127 | 4,530 |
| Transfers to other funds: | | | |
| Debt service | 1,906 | (327) | 1,579 |
| Capital projects | 389 | (307) | 82 |
| Other purposes | 1,272 | (557) | 715 |
| **Total disbursements** | 51,591 | 2,093 | 53,684 |
| **Change in fund balance** | (212) | 200 | (12) |
| **Closing fund balance** | 3,045 | (12) | 3,033 |
| **Reserves** | | | |
| Tax Stabilization Reserve Fund | 1,031 | 0 | 1,031 |
| Statutory Rainy Day Reserve Fund | 0 | 175 | 175 |
| Contingency Reserve Fund | 21 | 0 | 21 |
| Community Projects Fund | 278 | 75 | 353 |
| Debt Reduction Reserve Fund | 0 | 250 | 250 |
| 2005-2006 Surplus | 787 | (787) | 0 |
| 2006-2007 Surplus | 1,493 | (290) | 1,203 |
| 2006-2007 Timing Related Transactions | (565) | 565 | 0 |

Source: NYS DOB

*2006-07 year-end results are preliminary and unaudited.

**CASH FINANCIAL PLAN**
**GENERAL FUND**
**2007-2008 THROUGH 2010-2011**
**(millions of dollars)**

| | 2007-2008 Enacted | 2008-2009 Projected | 2009-2010 Projected | 2010-2011 Projected |
|---|---|---|---|---|
| **Receipts:** | | | | |
| Taxes: | | | | |
| Personal income tax | 22,885 | 24,128 | 25,576 | 26,979 |
| User taxes and fees | 8,565 | 8,900 | 9,213 | 9,539 |
| Business taxes | 6,679 | 6,807 | 7,113 | 7,392 |
| Other taxes | 1,135 | 1,211 | 1,342 | 1,425 |
| Miscellaneous receipts | 2,485 | 2,054 | 2,456 | 2,459 |
| Federal grants | 59 | 59 | 59 | 59 |
| Transfers from other funds: | | | | |
| PIT in excess of Revenue Bond debt service | 8,445 | 8,765 | 9,133 | 9,505 |
| Sales tax in excess of LGAC debt service | 2,320 | 2,363 | 2,469 | 2,579 |
| Real estate taxes in excess of CW/CA debt service | 561 | 614 | 670 | 672 |
| All other | 538 | 278 | 227 | 259 |
| **Total receipts** | 53,672 | 55,179 | 58,258 | 60,868 |
| **Disbursements:** | | | | |
| Grants to local governments | 37,158 | 40,951 | 44,762 | 48,347 |
| State operations | 9,620 | 9,999 | 10,398 | 10,644 |
| General State charges | 4,530 | 4,949 | 5,342 | 5,646 |
| Transfers to other funds: | | | | |
| Debt service | 1,579 | 1,709 | 1,706 | 1,740 |
| Capital projects | 82 | 277 | 489 | 862 |
| Other purposes | 715 | 865 | 798 | 806 |
| **Total disbursements** | 53,684 | 58,750 | 63,495 | 68,045 |
| **Deposit to/(use of) Community Projects Fund** | 75 | (65) | (65) | (151) |
| **Deposit to/(use of) Rainy Day Reserve Fund** | 175 | 0 | 0 | 0 |
| **Deposit to/(use of) Debt Reduction Reserve Fund** | 250 | 0 | 0 | 0 |
| **Deposit to/(use of) 2005-06 Surplus** | (787) | 0 | 0 | 0 |
| **Deposit to/(use of) 2006-07 Surplus** | 275 | (401) | (401) | (401) |
| **Margin** | 0 | (3,105) | (4,771) | (6,625) |

Source: NYS DOB

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

| | Executive Proposal | Change | Enacted Budget |
|---|---|---|---|
| **Opening fund balance** | 3,607 | (562) | 3,045 |
| **Receipts:** | | | |
| Taxes: | | | |
| Personal income tax | 22,258 | 627 | 22,885 |
| User taxes and fees | 8,633 | (68) | 8,565 |
| Business taxes | 6,333 | 346 | 6,679 |
| Other taxes | 1,060 | 75 | 1,135 |
| Miscellaneous receipts | 2,851 | (366) | 2,485 |
| Federal grants | 59 | 0 | 59 |
| Transfers from other funds: | | | |
| PIT in excess of Revenue Bond debt service | 8,300 | 145 | 8,445 |
| Sales tax in excess of LGAC debt service | 2,277 | 43 | 2,320 |
| Real estate taxes in excess of CW/CA debt service | 560 | 1 | 561 |
| All other transfers | 335 | 203 | 538 |
| **Total receipts** | 52,666 | 1,007 | 53,673 |
| **Disbursements:** | | | |
| Grants to local governments | 36,384 | 774 | 37,158 |
| State operations | 9,602 | 18 | 9,620 |
| General State charges | 4,572 | (42) | 4,530 |
| Transfers to other funds: | | | |
| Debt service | 1,752 | (173) | 1,579 |
| Capital projects | 255 | (173) | 82 |
| Other purposes | 683 | 32 | 715 |
| **Total disbursements** | 53,248 | 437 | 53,685 |
| **Change in fund balance** | (582) | 570 | (12) |
| **Closing fund balance** | 3,025 | 8 | 3,033 |
| **Reserves** | | | |
| Tax Stabilization Reserve Fund | 1,025 | 6 | 1,031 |
| Statutory Rainy Day Reserve Fund | 175 | 0 | 175 |
| Contingency Reserve Fund | 21 | 0 | 21 |
| Community Projects Fund | 351 | 2 | 353 |
| Debt Reduction Reserve Fund | 250 | 0 | 250 |
| 2006-2007 Surplus | 1,203 | 0 | 1,203 |

Source: NYS DOB

**CURRENT STATE RECEIPTS**
**GENERAL FUND**
**2006-2007 and 2007-2008**
**(millions of dollars)**

| | 2006-2007 | 2007-2008 | Annual Change |
|---|---|---|---|
| **Personal income tax** | 22,939 | 22,885 | (54) |
| **User taxes and fees** | 8,186 | 8,565 | 379 |
| Sales and use tax | 7,539 | 7,867 | 328 |
| Cigarette and tobacco taxes | 411 | 447 | 36 |
| Motor vehicle fees | (16) | 0 | 16 |
| Alcoholic beverages taxes | 194 | 200 | 6 |
| Alcoholic beverage control license fees | 58 | 51 | (7) |
| **Business taxes** | 6,468 | 6,679 | 211 |
| Corporation franchise tax | 3,676 | 3,904 | 228 |
| Corporation and utilities tax | 626 | 618 | (8) |
| Insurance taxes | 1,142 | 1,176 | 34 |
| Bank tax | 1,024 | 981 | (43) |
| **Other taxes** | 1,075 | 1,135 | 60 |
| Estate tax | 1,063 | 1,114 | 51 |
| Gift tax | (10) | 0 | 10 |
| Real property gains tax | 0 | 0 | 0 |
| Pari-mutuel taxes | 21 | 20 | (1) |
| Other taxes | 1 | 1 | 0 |
| **Total taxes** | 38,668 | 39,264 | 596 |
| **Miscellaneous receipts** | 2,268 | 2,485 | 217 |
| **Federal Grants** | 151 | 59 | (92) |
| **Total** | 41,087 | 41,808 | 721 |

Source: NYS DOB

*2006-07 year-end results are preliminary and unaudited.

**CASH FINANCIAL PLAN**
**STATE FUNDS**
**2006-2007**
**(millions of dollars)**

| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|---|
| **Opening fund balance** | 3,257 | 3,791 | (450) | 221 | 6,819 |
| **Receipts:** | | | | | |
| Taxes | 38,668 | 7,109 | 1,929 | 11,033 | 58,739 |
| Miscellaneous receipts | 2,268 | 12,502 | 2,246 | 848 | 17,864 |
| Federal grants | 151 | 1 | 0 | 0 | 152 |
| **Total receipts** | 41,087 | 19,612 | 4,175 | 11,881 | 76,755 |
| **Disbursements:** | | | | | |
| Grants to local governments | 34,302 | 15,216 | 359 | 0 | 49,877 |
| State operations | 9,319 | 5,151 | 0 | 44 | 14,514 |
| General State charges | 4,403 | 594 | 0 | 0 | 4,997 |
| Debt service | 0 | 0 | 0 | 4,451 | 4,451 |
| Capital projects | 0 | 9 | 3,463 | 0 | 3,472 |
| **Total disbursements** | 48,024 | 20,970 | 3,822 | 4,495 | 77,311 |
| **Other financing sources (uses):** | | | | | |
| Transfers from other funds | 10,292 | 1,587 | 454 | 5,600 | 17,933 |
| Transfers to other funds | (3,567) | (349) | (766) | (12,974) | (17,656) |
| Bond and note proceeds | 0 | 0 | 181 | 0 | 181 |
| **Net other financing sources (uses)** | 6,725 | 1,238 | (131) | (7,374) | 458 |
| **Change in fund balance** | (212) | (120) | 222 | 12 | (98) |
| **Closing fund balance** | 3,045 | 3,671 | (228) | 233 | 6,721 |

Source: NYS DOB

*2006-07 year-end results are preliminary and unaudited.

**CASH FINANCIAL PLAN**
**STATE FUNDS**
**2007-2008**
**(millions of dollars)**

| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|---|
| **Opening fund balance** | 3,045 | 3,671 | (228) | 233 | 6,721 |
| **Receipts:** | | | | | |
| Taxes | 39,264 | 8,009 | 2,166 | 12,521 | 61,960 |
| Miscellaneous receipts | 2,485 | 13,590 | 3,501 | 671 | 20,247 |
| Federal grants | 59 | 1 | 0 | 0 | 60 |
| **Total receipts** | 41,808 | 21,600 | 5,667 | 13,192 | 82,267 |
| **Disbursements:** | | | | | |
| Grants to local governments | 37,158 | 16,545 | 439 | 0 | 54,142 |
| State operations | 9,620 | 5,760 | 0 | 61 | 15,441 |
| General State charges | 4,530 | 614 | 0 | 0 | 5,144 |
| Debt service | 0 | 0 | 0 | 4,134 | 4,134 |
| Capital projects | 0 | 3 | 4,915 | 0 | 4,918 |
| **Total disbursements** | 51,308 | 22,922 | 5,354 | 4,195 | 83,779 |
| **Other financing sources (uses):** | | | | | |
| Transfers from other funds | 11,864 | 1,168 | 293 | 5,453 | 18,778 |
| Transfers to other funds | (2,376) | (719) | (934) | (14,411) | (18,440) |
| Bond and note proceeds | 0 | 0 | 358 | 0 | 358 |
| **Net other financing sources (uses)** | 9,488 | 449 | (283) | (8,958) | 696 |
| **Change in fund balance** | (12) | (873) | 30 | 39 | (816) |
| **Closing fund balance** | 3,033 | 2,798 | (198) | 272 | 5,905 |

Source: NYS DOB

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

| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|---|
| **Opening fund balance** | 0 | 2,798 | (198) | 272 | 2,872 |
| **Receipts:** | | | | | |
| Taxes | 41,046 | 8,684 | 2,200 | 13,307 | 65,237 |
| Miscellaneous receipts | 2,054 | 14,186 | 3,560 | 680 | 20,480 |
| Federal grants | 59 | 1 | 0 | 0 | 60 |
| **Total receipts** | 43,159 | 22,871 | 5,760 | 13,987 | 85,777 |
| **Disbursements:** | | | | | |
| Grants to local governments | 40,951 | 17,255 | 464 | 0 | 58,670 |
| State operations | 9,999 | 5,840 | 0 | 61 | 15,900 |
| General State charges | 4,949 | 628 | 0 | 0 | 5,577 |
| Debt service | 0 | 0 | 0 | 4,798 | 4,798 |
| Capital projects | 0 | 3 | 5,340 | 0 | 5,343 |
| **Total disbursements** | 55,899 | 23,726 | 5,804 | 4,859 | 90,288 |
| **Other financing sources (uses):** | | | | | |
| Transfers from other funds | 12,020 | 1,304 | 530 | 5,734 | 19,588 |
| Transfers to other funds | (2,851) | (532) | (1,006) | (14,835) | (19,224) |
| Bond and note proceeds | 0 | 0 | 545 | 0 | 545 |
| **Net other financing sources (uses)** | 9,169 | 772 | 69 | (9,101) | 909 |
| **Deposit to/(use of) Community Projects Fund** | (65) | 0 | 0 | 0 | (65) |
| **Deposit to/(use of) 2006-07 Surplus** | (401) | 0 | 0 | 0 | (401) |
| **Change in fund balance** | (3,105) | (83) | 25 | 27 | (3,602) |
| **Closing fund balance** | (3,105) | 2,715 | (173) | 299 | (730) |

Source: NYS DOB

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

| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|---|
| **Opening fund balance** | 0 | 2,715 | (173) | 299 | 2,841 |
| **Receipts:** | | | | | |
| Taxes | 43,244 | 9,248 | 2,246 | 14,102 | 68,840 |
| Miscellaneous receipts | 2,456 | 14,005 | 3,342 | 682 | 20,485 |
| Federal grants | 59 | 1 | 0 | 0 | 60 |
| **Total receipts** | 45,759 | 23,254 | 5,588 | 14,784 | 89,385 |
| **Disbursements:** | | | | | |
| Grants to local governments | 44,762 | 18,201 | 466 | 0 | 63,429 |
| State operations | 10,398 | 5,794 | 0 | 61 | 16,253 |
| General State charges | 5,342 | 640 | 0 | 0 | 5,982 |
| Debt service | 0 | 0 | 0 | 5,250 | 5,250 |
| Capital projects | 0 | 3 | 5,297 | 0 | 5,300 |
| **Total disbursements** | 60,502 | 24,638 | 5,763 | 5,311 | 96,214 |
| **Other financing sources (uses):** | | | | | |
| Transfers from other funds | 12,499 | 1,239 | 672 | 5,896 | 20,306 |
| Transfers to other funds | (2,993) | (419) | (1,103) | (15,365) | (19,880) |
| Bond and note proceeds | 0 | 0 | 638 | 0 | 638 |
| **Net other financing sources (uses)** | 9,506 | 820 | 207 | (9,469) | 1,064 |
| **Deposit to/(use of) Community Projects Fund** | (65) | 0 | 0 | 0 | (65) |
| **Deposit to/(use of) 2006-07 Surplus** | (401) | 0 | 0 | 0 | (401) |
| **Change in fund balance** | (4,771) | (564) | 32 | 4 | (5,299) |
| **Closing fund balance** | (4,771) | 2,151 | (141) | 303 | (2,458) |

Source: NYS DOB

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

| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|---|
| **Opening fund balance** | 0 | 2,151 | (141) | 303 | 2,313 |
| **Receipts:** | | | | | |
| Taxes | 45,335 | 9,627 | 2,280 | 14,782 | 72,024 |
| Miscellaneous receipts | 2,459 | 14,618 | 3,068 | 683 | 20,828 |
| Federal grants | 59 | 1 | 0 | 0 | 60 |
| **Total receipts** | 47,853 | 24,246 | 5,348 | 15,465 | 92,912 |
| **Disbursements:** | | | | | |
| Grants to local governments | 48,347 | 18,932 | 442 | 0 | 67,721 |
| State operations | 10,644 | 5,898 | 0 | 61 | 16,603 |
| General State charges | 5,646 | 647 | 0 | 0 | 6,293 |
| Debt service | 0 | 0 | 0 | 5,877 | 5,877 |
| Capital projects | 0 | 2 | 4,932 | 0 | 4,934 |
| **Total disbursements** | 64,637 | 25,479 | 5,374 | 5,938 | 101,428 |
| **Other financing sources (uses):** | | | | | |
| Transfers from other funds | 13,015 | 1,246 | 918 | 6,307 | 21,486 |
| Transfers to other funds | (3,408) | (331) | (1,445) | (15,849) | (21,033) |
| Bond and note proceeds | 0 | 0 | 578 | 0 | 578 |
| **Net other financing sources (uses)** | 9,607 | 915 | 51 | (9,542) | 1,031 |
| **Deposit to/(use of) Community Projects Fund** | (151) | 0 | 0 | 0 | (151) |
| **Deposit to/(use of) 2006-07 Surplus** | (401) | 0 | 0 | 0 | (401) |
| **Change in fund balance** | (6,625) | (318) | 25 | (15) | (6,933) |
| **Closing fund balance** | (6,625) | 1,833 | (116) | 288 | (4,620) |

Source: NYS DOB

**CASH FINANCIAL PLAN**
**ALL GOVERNMENTAL FUNDS**
**2006-2007**
**(millions of dollars)**

| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|---|
| **Opening fund balance** | 3,257 | 4,238 | (648) | 221 | 7,068 |
| **Receipts:** | | | | | |
| Taxes | 38,668 | 7,109 | 1,929 | 11,033 | 58,739 |
| Miscellaneous receipts | 2,268 | 12,715 | 2,247 | 848 | 18,078 |
| Federal grants | 151 | 33,690 | 1,738 | 0 | 35,579 |
| **Total receipts** | 41,087 | 53,514 | 5,914 | 11,881 | 112,396 |
| **Disbursements:** | | | | | |
| Grants to local governments | 34,302 | 45,693 | 730 | 0 | 80,725 |
| State operations | 9,319 | 8,164 | 0 | 44 | 17,527 |
| General State charges | 4,403 | 820 | 0 | 0 | 5,223 |
| Debt service | 0 | 0 | 0 | 4,451 | 4,451 |
| Capital projects | 0 | 9 | 4,829 | 0 | 4,838 |
| **Total disbursements** | 48,024 | 54,686 | 5,559 | 4,495 | 112,764 |
| **Other financing sources (uses):** | | | | | |
| Transfers from other funds | 10,292 | 3,873 | 454 | 5,600 | 20,219 |
| Transfers to other funds | (3,567) | (2,932) | (774) | (12,974) | (20,247) |
| Bond and note proceeds | 0 | 0 | 181 | 0 | 181 |
| **Net other financing sources (uses)** | 6,725 | 941 | (139) | (7,374) | 153 |
| **Change in fund balance** | (212) | (231) | 216 | 12 | (215) |
| **Closing fund balance** | 3,045 | 4,007 | (432) | 233 | 6,853 |

Source: NYS OSC (reflecting amounts published in the Cash Basis Report).

*2006-07 year-end results are preliminary and unaudited.

**The opening balance cash balances, receipts, disbursements, other financing sources, and ending cash balances in the Special Revenue and Capital Projects Fund groups have been adjusted to reflect the reclassification of the Hazardous Waste Remedial Fund from the Special Revenue Fund to the Capital Projects Fund, pursuant to Section 70 of the State Finance Law.

**CASH FINANCIAL PLAN**
**ALL GOVERNMENTAL FUNDS**
**2007-2008**
**(millions of dollars)**

| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|---|
| **Opening fund balance** | 3,045 | 4,007 | (432) | 233 | 6,853 |
| **Receipts:** | | | | | |
| Taxes | 39,264 | 8,009 | 2,166 | 12,521 | 61,960 |
| Miscellaneous receipts | 2,485 | 13,745 | 3,501 | 671 | 20,402 |
| Federal grants | 59 | 35,049 | 2,020 | 0 | 37,128 |
| **Total receipts** | 41,808 | 56,803 | 7,687 | 13,192 | 119,490 |
| **Disbursements:** | | | | | |
| Grants to local governments | 37,158 | 47,915 | 581 | 0 | 85,654 |
| State operations | 9,620 | 9,045 | 0 | 61 | 18,726 |
| General State charges | 4,530 | 856 | 0 | 0 | 5,386 |
| Debt service | 0 | 0 | 0 | 4,134 | 4,134 |
| Capital projects | 0 | 4 | 6,771 | 0 | 6,775 |
| **Total disbursements** | 51,308 | 57,820 | 7,352 | 4,195 | 120,675 |
| **Other financing sources (uses):** | | | | | |
| Transfers from other funds | 11,864 | 3,666 | 293 | 5,453 | 21,276 |
| Transfers to other funds | (2,376) | (3,573) | (947) | (14,411) | (21,307) |
| Bond and note proceeds | 0 | 0 | 358 | 0 | 358 |
| **Net other financing sources (uses)** | 9,488 | 93 | (296) | (8,958) | 327 |
| **Change in fund balance** | (12) | (924) | 39 | 39 | (858) |
| **Closing fund balance** | 3,033 | 3,083 | (393) | 272 | 5,995 |

Source: NYS DOB

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

| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|---|
| **Opening fund balance** | 0 | 3,083 | (393) | 272 | 2,962 |
| **Receipts:** | | | | | |
| Taxes | 41,046 | 8,684 | 2,200 | 13,307 | 65,237 |
| Miscellaneous receipts | 2,054 | 14,334 | 3,560 | 680 | 20,628 |
| Federal grants | 59 | 37,156 | 2,037 | 0 | 39,252 |
| **Total receipts** | 43,159 | 60,174 | 7,797 | 13,987 | 125,117 |
| **Disbursements:** | | | | | |
| Grants to local governments | 40,951 | 50,599 | 630 | 0 | 92,180 |
| State operations | 9,999 | 9,139 | 0 | 61 | 19,199 |
| General State charges | 4,949 | 875 | 0 | 0 | 5,824 |
| Debt service | 0 | 0 | 0 | 4,798 | 4,798 |
| Capital projects | 0 | 4 | 7,189 | 0 | 7,193 |
| **Total disbursements** | 55,899 | 60,617 | 7,819 | 4,859 | 129,194 |
| **Other financing sources (uses):** | | | | | |
| Transfers from other funds | 12,020 | 3,805 | 530 | 5,734 | 22,089 |
| Transfers to other funds | (2,851) | (3,428) | (1,019) | (14,835) | (22,133) |
| Bond and note proceeds | 0 | 0 | 545 | 0 | 545 |
| **Net other financing sources (uses)** | 9,169 | 377 | 56 | (9,101) | 501 |
| **Deposit to/(use of) Community Projects Fund** | (65) | 0 | 0 | 0 | (65) |
| **Deposit to/(use of) 2006-07 Surplus** | (401) | 0 | 0 | 0 | (401) |
| **Change in fund balance** | (3,105) | (66) | 34 | 27 | (3,576) |
| **Closing fund balance** | (3,105) | 3,017 | (359) | 299 | (614) |

Source: NYS DOB

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

| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|---|
| **Opening fund balance** | 0 | 3,017 | (359) | 299 | 2,957 |
| **Receipts:** | | | | | |
| Taxes | 43,244 | 9,248 | 2,246 | 14,102 | 68,840 |
| Miscellaneous receipts | 2,456 | 14,152 | 3,342 | 682 | 20,632 |
| Federal grants | 59 | 38,348 | 2,024 | 0 | 40,431 |
| **Total receipts** | 45,759 | 61,748 | 7,612 | 14,784 | 129,903 |
| **Disbursements:** | | | | | |
| Grants to local governments | 44,762 | 52,693 | 632 | 0 | 98,087 |
| State operations | 10,398 | 9,102 | 0 | 61 | 19,561 |
| General State charges | 5,342 | 888 | 0 | 0 | 6,230 |
| Debt service | 0 | 0 | 0 | 5,250 | 5,250 |
| Capital projects | 0 | 4 | 7,132 | 0 | 7,136 |
| **Total disbursements** | 60,502 | 62,687 | 7,764 | 5,311 | 136,264 |
| **Other financing sources (uses):** | | | | | |
| Transfers from other funds | 12,499 | 3,737 | 672 | 5,896 | 22,804 |
| Transfers to other funds | (2,993) | (3,351) | (1,117) | (15,365) | (22,826) |
| Bond and note proceeds | 0 | 0 | 638 | 0 | 638 |
| **Net other financing sources (uses)** | 9,506 | 386 | 193 | (9,469) | 616 |
| **Deposit to/(use of) Community Projects Fund** | (65) | 0 | 0 | 0 | (65) |
| **Deposit to/(use of) 2006-07 Surplus** | (401) | 0 | 0 | 0 | (401) |
| **Change in fund balance** | (4,771) | (553) | 41 | 4 | (5,279) |
| **Closing fund balance** | (4,771) | 2,464 | (318) | 303 | (2,322) |

Source: NYS DOB

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

| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|---|
| **Opening fund balance** | 0 | 2,464 | (318) | 303 | 2,449 |
| **Receipts:** | | | | | |
| Taxes | 45,335 | 9,627 | 2,280 | 14,782 | 72,024 |
| Miscellaneous receipts | 2,459 | 14,762 | 3,068 | 683 | 20,972 |
| Federal grants | 59 | 40,203 | 2,052 | 0 | 42,314 |
| **Total receipts** | 47,853 | 64,592 | 7,400 | 15,465 | 135,310 |
| **Disbursements:** | | | | | |
| Grants to local governments | 48,347 | 55,183 | 608 | 0 | 104,138 |
| State operations | 10,644 | 9,282 | 0 | 61 | 19,987 |
| General State charges | 5,646 | 899 | 0 | 0 | 6,545 |
| Debt service | 0 | 0 | 0 | 5,877 | 5,877 |
| Capital projects | 0 | 3 | 6,771 | 0 | 6,774 |
| **Total disbursements** | 64,637 | 65,367 | 7,379 | 5,938 | 143,321 |
| **Other financing sources (uses):** | | | | | |
| Transfers from other funds | 13,015 | 3,744 | 918 | 6,307 | 23,984 |
| Transfers to other funds | (3,408) | (3,278) | (1,459) | (15,849) | (23,994) |
| Bond and note proceeds | 0 | 0 | 578 | 0 | 578 |
| **Net other financing sources (uses)** | 9,607 | 466 | 37 | (9,542) | 568 |
| **Deposit to/(use of) Community Projects Fund** | (151) | 0 | 0 | 0 | (151) |
| **Deposit to/(use of) 2006-07 Surplus** | (401) | 0 | 0 | 0 | (401) |
| **Change in fund balance** | (6,625) | (309) | 58 | (15) | (6,891) |
| **Closing fund balance** | (6,625) | 2,155 | (260) | 288 | (4,442) |

Source: NYS DOB

**CASHFLOW**
**GENERAL FUND**
**2007-2008**
**(dollars in millions)**

| | 2007 April Projected | May Projected | June Projected | July Projected | August Projected | September Projected | October Projected | November Projected | December Projected | 2008 January Projected | February Projected | March Projected | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **OPENING BALANCE** | 3,045 | 6,990 | 3,765 | 4,185 | 4,380 | 3,887 | 5,045 | 3,469 | 2,652 | 2,449 | 7,465 | 7,090 | 3,045 |
| **RECEIPTS:** | | | | | | | | | | | | | |
| Personal Income Tax | 4,012 | 738 | 2,345 | 1,493 | 1,625 | 1,954 | 342 | 474 | 906 | 5,387 | 1,909 | 1,700 | 22,885 |
| User Taxes and Fees | 629 | 627 | 877 | 671 | 638 | 889 | 647 | 638 | 927 | 678 | 570 | 774 | 8,565 |
| Business Taxes | 248 | 25 | 1,236 | 177 | 136 | 1,269 | 167 | 60 | 1,271 | 157 | 139 | 1,794 | 6,679 |
| Other Taxes | 94 | 95 | 95 | 95 | 96 | 96 | 94 | 94 | 94 | 94 | 94 | 94 | 1,135 |
| Total Taxes | 4,983 | 1,485 | 4,553 | 2,436 | 2,495 | 4,208 | 1,250 | 1,266 | 3,198 | 6,316 | 2,712 | 4,362 | 39,264 |
| Licenses, fees, etc. | 64 | 60 | 59 | 140 | 57 | 70 | 57 | 54 | 60 | 54 | 65 | 89 | 829 |
| Abandoned Property | 12 | 20 | 35 | 15 | 16 | 48 | 23 | 190 | 55 | 23 | 27 | 220 | 684 |
| Reimbursement | 21 | 14 | 25 | 19 | 18 | 21 | 8 | 8 | 22 | 4 | 5 | 35 | 200 |
| Investment income | 13 | 12 | 12 | 12 | 13 | 12 | 12 | 13 | 12 | 12 | 13 | 14 | 150 |
| Other transactions | 10 | 29 | 139 | 20 | 20 | 39 | 20 | 20 | 39 | 20 | 20 | 246 | 622 |
| Total Miscellaneous Receipts | 120 | 135 | 270 | 206 | 124 | 190 | 120 | 285 | 188 | 113 | 130 | 604 | 2,485 |
| Federal Grants | 1 | 1 | 13 | 1 | 1 | 13 | 1 | 1 | 13 | 1 | 0 | 13 | 59 |
| PIT in excess of Revenue Bond Debt Service | 1,336 | 195 | 859 | 498 | 384 | 936 | 568 | 238 | 790 | 1,740 | 143 | 758 | 8,445 |
| Sales Tax in Excess of LGAC Debt Service | 184 | 20 | 441 | 199 | 191 | 256 | 194 | 190 | 287 | 204 | 2 | 152 | 2,320 |
| Real Estate Taxes in Excess of CW/CA Debt Service | 64 | 60 | 40 | 40 | 42 | 47 | 42 | 47 | 47 | 42 | 44 | 46 | 561 |
| All Other | 0 | 0 | 159 | 5 | 1 | 87 | 10 | 6 | 21 | 0 | 0 | 249 | 538 |
| Total Transfers from Other Funds | 1,584 | 275 | 1,499 | 742 | 618 | 1,326 | 814 | 481 | 1,145 | 1,986 | 189 | 1,205 | 11,864 |
| TOTAL RECEIPTS | 6,688 | 1,896 | 6,335 | 3,385 | 3,238 | 5,737 | 2,185 | 2,033 | 4,544 | 8,416 | 3,031 | 6,184 | 53,672 |
| **DISBURSEMENTS:** | | | | | | | | | | | | | |
| School Aid | 127 | 1,817 | 1,711 | 96 | 410 | 1,549 | 601 | 697 | 1,336 | 468 | 846 | 6,512 | 16,170 |
| Higher Education | 18 | 11 | 228 | 211 | 230 | 87 | 447 | 23 | 198 | 55 | 339 | 541 | 2,388 |
| All Other Education | 32 | 98 | 91 | 220 | 93 | 116 | 137 | 86 | 128 | 240 | 141 | 356 | 1,738 |
| Medicaid | 856 | 1,279 | 738 | 746 | 1,030 | 609 | 645 | 598 | 593 | 810 | 763 | 829 | 9,496 |
| Public Health | 114 | 52 | 16 | 52 | 13 | 31 | 65 | 57 | 36 | 101 | (4) | 186 | 719 |
| Mental Hygiene | 63 | 78 | 77 | 135 | 81 | 232 | 115 | 74 | 212 | 259 | 165 | 367 | 1,858 |
| Children and Families | 47 | 62 | 69 | 88 | 226 | 90 | 93 | 96 | 220 | 88 | 84 | 367 | 1,530 |
| Temporary & Disability Assistance | 139 | 142 | 243 | 156 | 160 | 177 | 156 | (143) | 176 | 6 | 125 | 56 | 1,393 |
| Transportation | 0 | 15 | 45 | 0 | 15 | 0 | 0 | 15 | 7 | 0 | 8 | 1 | 106 |
| All Other | 26 | 47 | 414 | 41 | 53 | 157 | 22 | 61 | 317 | 96 | 65 | 461 | 1,760 |
| Total Local Assistance Grants | 1,422 | 3,601 | 3,632 | 1,745 | 2,311 | 3,048 | 2,281 | 1,564 | 3,223 | 2,123 | 2,532 | 9,676 | 37,158 |
| Personal Service | 650 | 819 | 605 | 645 | 750 | 587 | 716 | 537 | 381 | 546 | 306 | 167 | 6,709 |
| Non-Personal Service | 147 | 224 | 205 | 215 | 249 | 244 | 248 | 222 | 232 | 247 | 243 | 435 | 2,911 |
| Total State Operations | 797 | 1,043 | 810 | 860 | 999 | 831 | 964 | 759 | 613 | 793 | 549 | 602 | 9,620 |
| General State Charges | 336 | 281 | 1,187 | 450 | 310 | 275 | 414 | 277 | 299 | 345 | 150 | 206 | 4,530 |
| Debt Service | 48 | 144 | 216 | 43 | 38 | 295 | 32 | 141 | 409 | 4 | 24 | 185 | 1,579 |
| Capital Projects | 33 | 25 | 23 | 53 | 44 | 50 | 41 | 42 | 101 | 90 | 127 | (547) | 82 |
| Other Purposes | 107 | 27 | 47 | 39 | 29 | 80 | 29 | 67 | 102 | 45 | 24 | 119 | 715 |
| Total Transfers to Other Funds | 188 | 196 | 286 | 135 | 111 | 425 | 102 | 250 | 612 | 139 | 175 | (243) | 2,376 |
| TOTAL DISBURSEMENTS | 2,743 | 5,121 | 5,915 | 3,190 | 3,731 | 4,579 | 3,761 | 2,850 | 4,747 | 3,400 | 3,406 | 10,241 | 53,684 |
| Excess/(Deficiency) of Receipts over Disbursements | 3,945 | (3,225) | 420 | 195 | (493) | 1,158 | (1,576) | (817) | (203) | 5,016 | (375) | (4,057) | (12) |
| **CLOSING BALANCE** | 6,990 | 3,765 | 4,185 | 4,380 | 3,887 | 5,045 | 3,469 | 2,652 | 2,449 | 7,465 | 7,090 | 3,033 | 3,033 |

Source: NYS DOB

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

| | 2005-2006 Actuals | 2006-2007 Actuals | 2007-2008 Projected | 2008-2009 Projected | 2009-2010 Projected | 2010-2011 Projected |
|---|---|---|---|---|---|---|
| **ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT** | | | | | | |
| Agriculture and Markets, Department of | 85,677 | 94,967 | 122,415 | 132,022 | 106,183 | 106,587 |
| Alcoholic Beverage Control | 10,286 | 11,696 | 12,948 | 13,287 | 13,849 | 13,911 |
| Banking Department | 56,278 | 57,224 | 60,010 | 60,798 | 61,580 | 62,377 |
| Consumer Protection Board | 2,622 | 2,792 | 3,055 | 3,090 | 3,125 | 3,159 |
| Economic Development, Department of | 225,352 | 88,458 | 154,743 | 412,627 | 314,556 | 164,449 |
| Empire State Development Corporation | 45,829 | 169,786 | 778,720 | 538,900 | 335,840 | 252,981 |
| Energy Research and Development Authority | 26,151 | 28,865 | 28,623 | 27,950 | 27,950 | 27,950 |
| Housing and Community Renewal, Division of | 259,549 | 272,073 | 309,562 | 291,111 | 276,706 | 275,759 |
| Insurance Department | 124,142 | 145,590 | 262,421 | 262,594 | 263,718 | 264,860 |
| Olympic Regional Development Authority | 8,550 | 8,250 | 14,126 | 9,009 | 9,217 | 9,217 |
| Public Service, Department of | 50,453 | 50,931 | 56,884 | 58,427 | 59,765 | 61,705 |
| Science, Technology and Academic Research, Office of | 61,470 | 52,054 | 57,488 | 48,335 | 44,403 | 43,725 |
| University Broadband | 2,930 | 4,840 | 7,500 | 8,200 | 14,000 | 14,000 |
| **Functional Total** | 959,289 | 987,526 | 1,868,495 | 1,866,350 | 1,530,892 | 1,300,680 |
| **PARKS AND THE ENVIRONMENT** | | | | | | |
| Adirondack Park Agency | 4,398 | 4,599 | 5,731 | 5,929 | 5,935 | 5,942 |
| Environmental Conservation, Department of | 816,091 | 818,004 | 896,910 | 875,694 | 894,001 | 902,647 |
| Environmental Facilities Corporation | 8,034 | 8,416 | 11,760 | 11,815 | 6,760 | 6,760 |
| Parks, Recreation and Historic Preservation, Office of | 248,425 | 284,161 | 272,031 | 269,640 | 250,908 | 242,053 |
| **Functional Total** | 1,076,948 | 1,115,180 | 1,186,432 | 1,163,078 | 1,157,604 | 1,157,402 |
| **TRANSPORTATION** | | | | | | |
| Motor Vehicles, Department of | 238,186 | 257,839 | 288,051 | 298,568 | 302,683 | 337,234 |
| Thruway Authority | 1,671 | 1,775 | 1,734 | 1,778 | 1,822 | 1,868 |
| Metropolitan Transportation Authority | 38,078 | 0 | 93,700 | 188,550 | 258,700 | 278,922 |
| Transportation, Department of | 5,323,373 | 5,553,463 | 6,452,696 | 6,594,492 | 6,773,178 | 6,822,620 |
| **Functional Total** | 5,601,308 | 5,813,077 | 6,836,181 | 7,083,388 | 7,336,383 | 7,440,644 |
| **HEALTH AND SOCIAL WELFARE** | | | | | | |
| Advocate for Persons with Disabilities, Office of | 18 | 0 | 0 | 0 | 0 | 0 |
| Aging, Office for the | 185,728 | 197,862 | 228,894 | 237,659 | 237,604 | 236,593 |
| Blind, Office for the | 0 | 0 | 0 | 0 | 0 | 0 |
| Children and Family Services, Office of | 3,196,604 | 2,711,049 | 2,997,831 | 3,180,910 | 3,311,746 | 3,445,400 |
| Health, Department of | 35,203,517 | 37,706,416 | 38,480,237 | 42,217,902 | 45,771,058 | 48,739,728 |
| *Medical Assistance* | 30,209,572 | 32,316,313 | 32,271,732 | 35,718,692 | 39,199,792 | 42,199,292 |
| *Medicaid Administration* | 575,158 | 745,398 | 840,600 | 859,800 | 880,200 | 901,900 |
| *All Other* | 4,418,787 | 4,644,705 | 5,367,905 | 5,639,410 | 5,691,066 | 5,638,536 |
| Human Rights, Division of | 14,942 | 16,226 | 15,166 | 15,677 | 15,677 | 15,677 |
| Labor, Department of | 573,213 | 513,840 | 583,624 | 576,803 | 577,041 | 574,350 |
| Medicaid Inspector General, Office of | 1,049 | 34,842 | 81,256 | 91,816 | 93,149 | 94,268 |
| Prevention of Domestic Violence, Office of | 1,985 | 2,315 | 2,556 | 2,584 | 2,584 | 2,577 |
| Stem Cell Initiatives | 0 | 0 | 25,000 | 125,000 | 50,000 | 0 |

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

| | 2005-2006 Actuals | 2006-2007 Actuals | 2007-2008 Projected | 2008-2009 Projected | 2009-2010 Projected | 2010-2011 Projected |
|---|---|---|---|---|---|---|
| **HEALTH AND SOCIAL WELFARE (Continued)** | | | | | | |
| Temporary and Disability Assistance, Office of | 4,391,625 | 4,458,289 | 4,686,998 | 4,636,779 | 4,636,392 | 4,636,080 |
| *Welfare Assistance* | 2,979,052 | 3,110,913 | 3,284,923 | 3,228,074 | 3,222,743 | 3,218,456 |
| *Welfare Administration* | 368,537 | 380,495 | 377,933 | 377,933 | 377,933 | 377,933 |
| *All Other* | 1,044,036 | 966,881 | 1,024,142 | 1,030,772 | 1,035,716 | 1,039,691 |
| Welfare Inspector General, Office of | 1,004 | 1,074 | 1,295 | 1,321 | 1,347 | 1,374 |
| Workers' Compensation Board | 140,892 | 148,277 | 162,246 | 152,010 | 154,126 | 156,381 |
| **Functional Total** | 43,710,577 | 45,790,190 | 47,265,103 | 51,238,461 | 54,850,724 | 57,902,428 |
| **MENTAL HEALTH** | | | | | | |
| Mental Health, Office of | 2,199,159 | 2,335,339 | 2,520,224 | 2,692,453 | 2,830,816 | 2,894,995 |
| Mental Hygiene, Department of | 9,370 | 8,442 | 7,800 | 7,800 | 7,800 | 7,800 |
| Mental Retardation and Developmental Disabilities, Office of | 2,930,056 | 3,168,254 | 3,369,167 | 3,560,454 | 3,676,258 | 3,788,938 |
| Alcohol and Substance Abuse Services, Office of | 484,034 | 521,906 | 595,007 | 655,669 | 704,897 | 687,400 |
| Developmental Disabilities Planning Council | 4,081 | 4,129 | 3,621 | 3,617 | 3,617 | 3,617 |
| Quality of Care for the Mentally Disabled, Commission on | 12,770 | 12,605 | 15,492 | 15,373 | 15,424 | 15,394 |
| **Functional Total** | 5,639,470 | 6,050,675 | 6,511,311 | 6,935,366 | 7,238,812 | 7,398,144 |
| **PUBLIC PROTECTION** | | | | | | |
| Capital Defenders Office | 4,572 | 1,558 | 1,300 | 1,303 | 1,309 | 1,315 |
| Correction, Commission of | 2,515 | 2,621 | 2,629 | 2,674 | 2,674 | 2,674 |
| Correctional Services, Department of | 2,316,062 | 2,736,338 | 2,715,169 | 2,782,450 | 2,849,374 | 2,922,707 |
| Crime Victims Board | 55,565 | 60,073 | 62,709 | 62,248 | 62,269 | 62,294 |
| Criminal Justice Services, Division of | 193,492 | 267,326 | 254,005 | 265,162 | 245,525 | 235,356 |
| Homeland Security | 19,586 | 29,562 | 407,925 | 539,937 | 347,937 | 354,184 |
| Investigation, Temporary State Commission of | 3,586 | 3,551 | 3,929 | 4,152 | 4,219 | 4,242 |
| Judicial Commissions | 2,714 | 2,785 | 4,785 | 4,819 | 4,850 | 4,884 |
| Military and Naval Affairs, Division of | 209,562 | 401,610 | 396,929 | 291,930 | 146,845 | 166,777 |
| Parole, Division of | 193,231 | 194,729 | 205,978 | 220,361 | 233,189 | 250,269 |
| Probation and Correctional Alternatives, Division of | 72,254 | 72,752 | 74,649 | 74,702 | 74,726 | 73,484 |
| Public Security, Office of | 0 | 0 | 0 | 0 | 0 | 0 |
| State Police, Division of | 598,904 | 644,506 | 635,780 | 676,038 | 697,900 | 691,810 |
| **Functional Total** | 3,672,043 | 4,417,411 | 4,765,787 | 4,925,776 | 4,670,817 | 4,769,996 |
| **EDUCATION** | | | | | | |
| Arts, Council on the | 42,825 | 49,244 | 55,766 | 54,665 | 54,845 | 54,826 |
| City University of New York | 619,871 | 1,064,544 | 1,186,315 | 1,245,860 | 1,301,014 | 1,332,761 |
| Education, Department of | 24,250,119 | 26,662,215 | 29,354,589 | 31,295,132 | 33,706,912 | 36,355,352 |
| *School Aid (includes EXCEL)* | 18,549,341 | 20,088,579 | 21,794,505 | 23,143,777 | 25,056,911 | 27,295,916 |
| *STAR Property Tax Relief* | 3,213,204 | 3,993,970 | 4,730,450 | 5,358,402 | 5,837,916 | 6,141,480 |
| *Handicapped* | 1,560,076 | 1,620,800 | 1,719,600 | 1,788,490 | 1,849,790 | 1,914,590 |
| *All Other* | 927,498 | 958,866 | 1,110,034 | 1,004,463 | 962,295 | 1,003,366 |
| Higher Education Services Corporation | 1,018,291 | 956,737 | 981,212 | 975,422 | 976,822 | 978,251 |
| State University Construction Fund | 10,013 | 13,157 | 12,493 | 12,628 | 12,756 | 12,884 |
| State University of New York | 4,964,540 | 5,447,926 | 5,901,289 | 5,996,243 | 6,164,116 | 6,130,560 |
| **Functional Total** | 30,905,659 | 34,193,823 | 37,491,664 | 39,579,950 | 42,216,465 | 44,864,634 |

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

| | 2005-2006 Actuals | 2006-2007 Actuals | 2007-2008 Projected | 2008-2009 Projected | 2009-2010 Projected | 2010-2011 Projected |
|---|---|---|---|---|---|---|
| **GENERAL GOVERNMENT** | | | | | | |
| Audit and Control, Department of | 225,148 | 244,078 | 245,462 | 247,821 | 252,679 | 253,678 |
| Budget, Division of the | 37,423 | 54,817 | 94,137 | 109,900 | 112,400 | 115,800 |
| Civil Service, Department of | 26,391 | 24,363 | 23,653 | 23,857 | 24,037 | 24,270 |
| Elections, State Board of | 4,206 | 13,037 | 90,119 | 171,199 | 9,215 | 99,475 |
| Employee Relations, Office of | 3,579 | 3,852 | 4,000 | 4,025 | 4,062 | 4,103 |
| Executive Chamber | 13,937 | 14,517 | 20,320 | 20,930 | 21,560 | 22,200 |
| General Services, Office of | 260,359 | 255,060 | 234,558 | 236,355 | 222,064 | 233,375 |
| Inspector General, Office of | 5,336 | 5,933 | 6,908 | 6,980 | 7,059 | 7,127 |
| Law, Department of | 182,295 | 193,461 | 211,763 | 213,781 | 216,561 | 218,744 |
| Lieutenant Governor, Office of the | 348 | 360 | 1,378 | 1,420 | 1,460 | 1,500 |
| Lottery, Division of | 176,524 | 164,825 | 182,527 | 183,147 | 187,318 | 191,393 |
| Racing and Wagering Board, State | 13,093 | 16,899 | 19,489 | 19,497 | 19,967 | 20,148 |
| Real Property Services, Office of | 43,830 | 47,620 | 52,570 | 53,407 | 54,266 | 55,154 |
| Regulatory Reform, Governor's Office of | 3,661 | 3,509 | 3,781 | 3,825 | 3,871 | 3,895 |
| State Labor Relations Board | 3,508 | 3,376 | 4,077 | 4,118 | 4,156 | 4,198 |
| State, Department of | 158,651 | 148,140 | 193,507 | 176,781 | 155,666 | 141,851 |
| Tax Appeals, Division of | 2,958 | 3,228 | 3,233 | 3,228 | 3,263 | 3,298 |
| Taxation and Finance, Department of | 341,429 | 355,452 | 367,658 | 364,362 | 368,490 | 372,691 |
| Technology, Office for | 21,018 | 19,258 | 33,856 | 53,362 | 81,823 | 25,221 |
| TSC Lobbying | 1,572 | 2,338 | 2,314 | 2,324 | 2,351 | 2,370 |
| Veterans Affairs, Division of | 13,621 | 14,117 | 15,368 | 15,674 | 15,774 | 14,351 |
| **Functional Total** | 1,538,887 | 1,588,240 | 1,810,678 | 1,915,993 | 1,768,042 | 1,814,842 |
| **ALL OTHER CATEGORIES** | | | | | | |
| Legislature | 210,051 | 213,118 | 220,258 | 223,168 | 225,841 | 225,887 |
| Judiciary (excluding fringe benefits) | 1,618,170 | 1,731,791 | 1,859,488 | 1,980,944 | 2,134,111 | 2,129,205 |
| World Trade Center | 38,003 | 37,020 | 135,450 | 82,950 | 55,500 | 34,150 |
| Local Government Assistance | 1,018,896 | 1,156,176 | 943,098 | 1,323,576 | 1,363,874 | 1,419,739 |
| Long-Term Debt Service | 3,701,385 | 4,450,737 | 4,133,998 | 4,798,128 | 5,250,500 | 5,877,446 |
| General State Charges | 4,735,317 | 5,222,834 | 5,385,856 | 5,824,962 | 6,230,090 | 6,544,433 |
| Miscellaneous | (84,564) | (85,873) | 261,566 | 251,825 | 234,109 | 440,996 |
| **Functional Total** | 11,237,258 | 12,725,803 | 12,939,714 | 14,485,553 | 15,494,025 | 16,671,856 |
| **TOTAL ALL GOVERNMENTAL FUNDS SPENDING** | 104,341,439 | 112,681,925 | 120,675,365 | 129,193,915 | 136,263,764 | 143,320,626 |

Source: NYS DOB

# GAAP-Basis Financial Plans/GASB Statement 45

In addition to the cash-basis Financial Plans, the General Fund and All Funds Financial Plans are prepared on a basis of GAAP in accordance with Governmental Accounting Standards Board (GASB) regulations. Tables comparing the cash basis and GAAP basis General Fund Financial Plans are provided at the end of this Financial Plan. The GAAP projections are based on the accounting principles applied by the State Comptroller in the financial statements issued for 2005-06.

In 2007-08, the General Fund GAAP Financial Plan shows total revenues of $45.0 billion, total expenditures of $55.3 billion, and net other financing sources of $9.7 billion, resulting in an operating deficit of $559 million and a projected accumulated surplus of $1.1 billion. These changes are due primarily to the use of a portion of the prior-and current-year surplus to support 2007-08 operations.

In 2006-07, the General Fund GAAP Financial Plan reflects total revenues of $43.8 billion, total expenditures of $51.7 billion, and net other financing sources of $7.5 billion, resulting in an operating deficit of roughly $500 million and a projected accumulated surplus of $1.7 billion. The operating results primarily reflect the 2006-07 cash-basis surplus, offset by the impact of enacted tax reductions on revenue accruals and a partial use of the 2005-06 surplus to support 2006-07 operations.

The GAAP basis results for 2005-06 showed the State in a net positive overall asset condition of $49.1 billion. The net positive asset condition is before the State reflects the impact of GASB Statement 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions." GASB Statement 45 requires State and local governments to reflect the value of post-employment benefits, predominantly health care, for current employees and retirees beginning with the financial statements for the 2007-08 fiscal year.

The State used an independent actuarial consulting firm to calculate retiree health care liabilities. Assuming there is no pre-funding of this liability, the analysis performed April 1, 2006 indicates that the present value of the actuarial accrued total liability for benefits would be roughly $49.7 billion ($41.4 billion for the State and $8.3 billion for SUNY), using the level percentage of projected payroll approach under the Frozen Entry Age actuarial cost method. This is the actuarial methodology recommended to be used to implement GASB Statement 45 by OSC.

The actuarial accrued liability was calculated using a 4.155 percent annual discount rate, a payroll growth rate of 3.5 percent annually, an increase of per capita medical costs of 10 percent in 2007-08 declining by 1 percent annually to 5 percent annual growth for 2013-14 and thereafter, and drug costs of 12 percent in 2007-08 declining by 1 percent annually to 5 percent annual growth beginning in 2014-15 and thereafter.

The State's total unfunded liability will be disclosed in the 2007-08 basic financial statements. While the total liability is substantial, GASB rules indicate it may be amortized over a 30-year period; therefore, only the annual amortized liability above the current pay-as-you-go costs would be recognized in the financial statements. Assuming no pre-funding, the 2007-08 liability would total roughly $3.8 billion under the Frozen Entry Age actuarial cost method amortized based on a level percent of salary, or $2.8 billion above the current pay-as-you-go retiree costs. This difference between the State's pay-as-you-go costs and the actuarially determined required annual contribution under GASB Statement 45 would reduce the State's currently positive net asset condition.

The current Financial Plan does not assume pre-funding of the GASB 45 liability. The State's Health Insurance Council, which consists of GOER, Civil Service, and DOB will continue to review this matter, seek input from the State Comptroller, the legislative fiscal committees and outside parties, and provide options for consideration.

GASB does not require the additional costs to be funded on the State's budgetary basis, and no funding is assumed for this purpose in the Financial Plan. On a budgetary (cash) basis, the State continues to finance these costs, along with all other employee health care expenses, on a pay-as-you-go basis. Anticipated increases in these costs are reflected in the State's multi-year Financial Plan as detailed below.

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

| | Health Insurance | | |
|---|---|---|---|
| **Year** | **Active Employees** | **Retirees** | **Total State** |
| **2001-02** | 937 | 565 | 1,502 |
| **2002-03** | 1,023 | 634 | 1,657 |
| **2003-04** | 1,072 | 729 | 1,801 |
| **2004-05** | 1,216 | 838 | 2,054 |
| **2005-06** | 1,331 | 885 | 2,216 |
| **2006-07** | 1,492 | 940 | 2,432 |
| **2007-08** | 1,586 | 1,007 | 2,593 |
| **2008-09** | 1,808 | 1,148 | 2,956 |
| **2009-10** | 1,972 | 1,255 | 3,227 |
| **2010-11** | 2,152 | 1,373 | 3,525 |

All numbers reflect the cost of Health Insurance for General State Charges (Executive and Legislative branches) and the Office of Court Administration; actuals through 2004-05.

DOB's detailed GAAP Financial Plans for 2006-07 and 2007-08 are provided below.

**GAAP FINANCIAL PLAN**
**GENERAL FUND**
**2006-2007 and 2007-2008**
**(millions of dollars)**

| | 2006-2007 Results | 2007-2008 Enacted | Annual Change |
|---|---|---|---|
| **Revenues:** | | | |
| Taxes: | | | |
| Personal income tax | 22,919 | 23,090 | 171 |
| User taxes and fees | 8,042 | 8,564 | 522 |
| Business taxes | 6,661 | 6,654 | (7) |
| Other taxes | 1,053 | 1,187 | 134 |
| Miscellaneous revenues | 4,928 | 5,476 | 548 |
| Federal grants | 151 | 59 | (92) |
| **Total revenues** | 43,754 | 45,030 | 1,276 |
| **Expenditures:** | | | |
| Grants to local governments | 36,644 | 39,346 | 2,702 |
| State operations | 11,336 | 12,161 | 825 |
| General State charges | 3,670 | 3,811 | 141 |
| Debt service | 26 | 0 | (26) |
| Capital projects | 0 | 1 | 1 |
| **Total expenditures** | 51,676 | 55,319 | 3,643 |
| **Other financing sources (uses):** | | | |
| Transfers from other funds | 13,115 | 14,991 | 1,876 |
| Transfers to other funds | (6,003) | (5,628) | 375 |
| Proceeds from financing arrangements/ | | 0 | |
| advance refundings | 347 | 367 | 20 |
| **Net other financing sources (uses)** | 7,459 | 9,730 | 2,271 |
| **(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses** | (463) | (559) | (96) |
| **Accumulated Surplus/(Deficit)** | 1,719 | 1,160 | (559) |

Source: NYS DOB

*2006-07 year-end results are preliminary and unaudited.

**GAAP FINANCIAL PLAN**
**ALL GOVERNMENTAL FUNDS**
**ENACTED BUDGET**
**2007-2008**
**(millions of dollars)**

| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | (MEMO) Total |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| Taxes | 39,495 | 7,969 | 2,167 | 12,520 | 62,151 |
| Patient fees | 0 | 0 | 0 | 326 | 326 |
| Miscellaneous revenues | 5,476 | 4,914 | 311 | 24 | 10,725 |
| Federal grants | 59 | 36,766 | 2,020 | 0 | 38,845 |
| **Total revenues** | 45,030 | 49,649 | 4,498 | 12,870 | 112,047 |
| **Expenditures:** | | | | | |
| Grants to local governments | 39,346 | 44,593 | 579 | 0 | 84,518 |
| State operations | 12,161 | 1,750 | 0 | 61 | 13,972 |
| General State charges | 3,811 | 335 | 0 | 0 | 4,146 |
| Debt service | 0 | 0 | 0 | 3,386 | 3,386 |
| Capital projects | 1 | 3 | 6,341 | 0 | 6,345 |
| **Total expenditures** | 55,319 | 46,681 | 6,920 | 3,447 | 112,367 |
| **Other financing sources (uses):** | | | | | |
| Transfers from other funds | 14,991 | 281 | 267 | 5,453 | 20,992 |
| Transfers to other funds | (5,628) | (3,930) | (962) | (14,838) | (25,358) |
| Proceeds of general obligation bonds | 0 | 0 | 358 | 0 | 358 |
| Proceeds from financing arrangements/ advance refundings | 367 | 0 | 2,702 | 0 | 3,069 |
| **Net other financing sources (uses)** | 9,730 | (3,649) | 2,365 | (9,385) | (939) |
| **(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses** | (559) | (681) | (57) | 38 | (1,259) |

Source: NYS DOB

# Special Considerations

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

In any year, the Financial Plan is subject to risks that, if they were to materialize, could affect operating results. The most significant current risks include the following:

## Risks to the U.S. Economic Forecast

Although DOB believes that the Federal Reserve has successfully managed a soft landing and that the U.S. economy will avoid a near-term recession, there is considerable risk to the forecast. As always, the forecast is contingent upon the absence of severe shocks to the economy. Unpredictable events, such as a major terrorist attack, remain the biggest risk to continued economic expansion. Such a shock could impair economic growth in many ways, such as causing a plunge in consumer confidence, the stock market, investment spending by firms, or impairing the transportation of goods and services, or causing a large spike in oil prices. A severe and extended downturn could easily materialize from such shocks.

A more severe-than-anticipated downturn in the housing market could derail the national economy from its predicted path. The additional weakness emanating from the housing and manufacturing sectors could result in lower job and income growth than expected, which in turn would produce lower growth in household spending than implied by the forecast. A more abrupt-than-projected increase in energy prices could reduce the ability of consumers and businesses to spend on non-energy related items. Such cutbacks could make firms behave even more cautiously and reduce business capital spending. Persistently high energy prices also raise the possibility that inflationary expectations could ratchet higher, causing the Federal Reserve Board to revert back to a tightening of monetary policy. Higher interest rates would, in turn, further exacerbate the slowdown and raise the likelihood of a recession.

A sharp reduction in the inflow of foreign funds could produce new inflationary pressures by weakening the U.S. dollar, which might also cause the Federal Reserve to resume tightening. Such a development might also produce an imbalance in the market for U.S. Treasury securities, causing long-term rates to rise higher-than-expected in order to fund the Federal budget deficit. Higher-than-anticipated Federal spending on the Iraq war could have a similar effect. Higher interest rates could, in turn, induce households to increase the personal saving rate, resulting in even further cutbacks in consumer spending. This risk would only be exacerbated by lower-than-expected equity or housing prices, particularly if the anticipated easing of home prices happens suddenly rather than gradually, as expected. Again, lower consumption growth could weaken expected future corporate profits and, in turn, lower employment and investment growth.

On the other hand, lower-than-expected inflation, perhaps as a result of an even greater drop in the price of oil or more modest growth in unit labor costs, possibly due to slower growth in wages or stronger productivity growth, could induce the Federal Reserve to reduce its short-term interest rate target, resulting in stronger consumption and investment growth than projected. A more rapid increase in export growth due to either a weakened dollar or faster global growth could generate a somewhat stronger increase in total output than expected. Moreover, stronger employment growth could result in higher real wages, supporting faster growth in consumer spending than currently anticipated.

## Risks to the New York Forecast

In addition to the risks described above for the national forecast, there are risks specific to New York. The chief risk remains another attack targeted at New York City that could once again plunge the State economy into a recession, resulting in substantially lower income and employment growth than is reflected in the current forecast. Higher energy prices and the potential for greater pass-through to core inflation, combined with a tightening labor market, raise the probability that the Federal Reserve could tighten one more time. Such an outcome could negatively affect the financial markets, which would also disproportionately affect the New York State economy. In addition, the State's real estate market could decline more than anticipated, which would negatively affect household consumption and taxable capital gains realizations. These effects could ripple though the economy, affecting both employment and wages.

In contrast, should the national and world economies grow faster than expected, a stronger upturn in stock prices, along with even stronger activity in mergers and acquisitions and other Wall Street activities is possible, resulting in higher wage and bonuses growth than projected. It is important to recall that the financial markets, which are so pivotal to the direction of the downstate economy, are notoriously difficult to forecast.

## Labor Contracts/Salary Increases

Existing labor contracts with all of the State's major employee unions expired on April 1, 2007 (United University Professionals will expire on July 1, 2007). The Financial Plan does not set aside any reserves for future collective bargaining agreements in 2007-08 or beyond. Each future 1 percent salary increase would cost roughly $86 million annually in the General Fund and $134 million in All Funds. The projections do not contain any funding for pay raises for the Judiciary or elected officials.

## School Supportive Health Services

The Office of the Inspector General (OIG) of the United States Department of Health and Human Services is conducting six audits of aspects of New York State's School Supportive Health Services program with regard to Medicaid reimbursement. The audits cover $1.4 billion in claims submitted between 1990 and 2001. To date, OIG has issued four final audit reports, which cover claims submitted by upstate and New York City school districts for speech pathology and transportation services. The final audits recommend that the Centers for Medicare and Medicaid Services (CMS) disallow $173 million of the $362 million in claims for upstate speech pathology services, $17 million of $72 million for upstate transportation services, $436 million of the $551 million in claims submitted for New York City speech pathology services, and $96 million of the $123 million for New York City transportation services. New York State disagrees with the audit findings on several grounds and has requested that they be withdrawn.

While CMS has not taken any action with regard to the disallowances recommended by OIG, CMS is deferring 25 percent of New York City claims and 9.7 percent of claims submitted by the rest of the State, pending completion of the audits. Since the State has continued to reimburse school districts for certain costs, these Federal deferrals are projected to drive additional spending that has been reflected in the State's Financial Plan.

## Proposed Federal Rule on Medicaid Funding

On January 18, 2007, CMS issued a proposed rule that, if implemented, would significantly curtail Federal Medicaid funding to public hospitals (including New York City's Health and Hospital Corporation (HHC)) and institutions and programs operated by both the State OMRDD and the State OMH.

The rule seeks to restrict State access to Federal Medicaid resources. The provision replacing prospective reimbursement with cost-based methodologies would have the most significant impact on New York's health care system.

The proposed rule could go into effect as soon as September 2007. It is estimated the rule could result in the loss of $350 million annually in Federal funds for HHC and potentially larger losses in aid for the State Mental Hygiene System.

The states affected by the regulations are expected to challenge their adoption on the basis that CMS is overstepping its authority and ignoring the intent of Congress. In recent years, the Congress has rejected similar proposals in the President's budget.

## Video Lottery Terminal Expansion

In developing annual VLT revenue estimates, the State's four-year Financial Plan assumes the approval of an expansion plan sometime in 2007-08, which is expected to provide $150 million in 2008-09, $357 million in 2009-10, and $766 million in 2010-11. Including expansion, VLT revenues are projected to increase by $476 million in 2008-09, $286 million in 2009-10, and $430 million in 2010-11, and are projected to total $1.1 billion in 2008-09 growing to $1.8 billion in 2010-11. Additional VLT revenues from the expansion support planned School Aid spending, offsetting General Fund costs. Absent legislative approval for the expansion, General Fund support for School Aid, as well as the estimated General Fund spending gaps, would increase by $150 million in 2008-09, $357 million in 2009-10, and $766 million in 2010-11.

## School Aid Database Updates

After enactment of the State Budget, school districts are authorized to submit additional State aid claims for payment in the September following the close of such school year. In some cases, these additional claims have significantly increased the State's liability on a school year basis. Recent database updates increased the State's liability for School Aid by $222 million ($176 million net of SED reclassifications) for increases for the 2006-07 school year, $161 million for 2005-06 and $119 million for the 2004-05 school year, the vast majority of which was for New York City. If school districts -- particularly New York City -- continue to submit additional claims after enactment of the 2007-08 State Budget, the State will have an increased financial obligation beyond what is currently reflected in the Financial Plan.

## APPENDIX B-I

## SUMMARY OF CERTAIN PROVISIONS OF DORMITORY AUTHORITY OF THE STATE OF NEW YORK STATE PERSONAL INCOME TAX REVENUE BONDS (EDUCATION) AND (ECONOMIC DEVELOPMENT AND HOUSING) GENERAL RESOLUTIONS

The following sections contain definitions of certain terms used in this general summary ("Summary") of certain provisions of the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (Education) General Bond Resolution (the "Resolution"). The definitions and Summary are not to be considered a full statement of all terms used in the Resolution and, accordingly, are qualified by reference to and are subject to the full text of the Resolution. The Summary also summarizes certain definitions and provisions of the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (Economic Development and Housing) General Bond Resolution. The Summary indicates any differences between the two resolutions by indicating the Economic Development and Housing resolution language in italics. A copy of each of the resolutions may be obtained upon request from the Dormitory Authority of the State of New York.

### Definitions

**Acts** shall mean the Issuer Act and the Enabling Act.

**Administrative Fund** shall mean the Fund designated as the Administrative Fund established in the Resolution.

**Authorized Officer** shall mean (i) in the case of the Issuer, the Chairman, the Vice Chairman, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, the First Deputy Executive Director, the Chief Financial Officer, any Managing Director, the General Counsel, or any other person authorized by a Resolution or bylaws of the Issuer, from time to time, to perform any specific act or execute any specific document, and when used with reference to any act or document also means any other person authorized by resolution or by laws of the Issuer to perform such act or execute such document; and when used with reference to any act or document, any other person authorized by resolution of the Issuer to perform such act or sign such document, (ii) in the case of the State, the Director of the Budget and when used with reference to any act or document, any other person authorized by law or by the Director of the Budget to perform such act or sign such document, (iii) in the case of the Trustee, the President, any Vice President, any Assistant Vice President, any Senior Trust Officer, any Trust Officer or any Assistant Trust Officer, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge and familiarity with the particular subject matter, and (iv) any other officer or employee so designated on its behalf by resolution of the Issuer or the Trustee, respectively.

**Bond Proceeds Fund** shall mean the Fund designated as the Bond Proceeds Fund established in the Resolution.

**Cost of Issuance Account** shall mean the account within the Bond Proceeds Fund so designated, created and established pursuant to the Resolution.

**Debt Service Fund** shall mean the Fund designated as the Debt Service Fund established in the Resolution.

**Financing Agreement** shall mean the Education *Economic Development and Housing* Revenue Bonds Financing Agreement between the Issuer and the State, acting through the Director of the Budget.

**Issuer** shall mean the Dormitory Authority of the State of New York, a body corporate and politic constituting a public benefit corporation of the State created by the Issuer Act, and its successors and permitted assigns.

**Issuer Act** shall mean the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as the same may be amended from time to time, and constituting Title 4 of Article 8 of the Public Authorities Law), together with any other provision of State law relating to the authorization or financing of Costs of a Project.

**Rebate Fund** shall mean the Fund designated as the Rebate Fund established in the Resolution.

**Resolution** shall mean the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (Education) (*Economic Development and Housing*) General Bond Resolution (including the Standard Resolution Provisions set forth in Annex A) as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions of the Resolution.

**Revenue Fund** shall mean the Fund designated as the Revenue Fund established in the Resolution.

**Subordinated Payment Fund** shall mean the Fund designated as the Subordinated Payment Fund established in the Resolution.

(Section 101)

**Standard Resolution Provisions**

Except as otherwise specifically provided in the Resolution or by Supplemental Resolution, the Standard Resolution Provisions appended to the Resolution as Annex A constitute an integral part of the Resolution and have the same force and effect as if set forth in the forepart of the Resolution.

(Section 102)

**Authority for the Resolution**

The Resolution is adopted pursuant to the provisions of the Enabling Act and to the extent the same is applicable, the Issuer Act.

(Section 103)

**Resolution to Constitute Contract**

In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Resolution by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds, over any other thereof except as expressly provided in or permitted by the Resolution.

(Section 104)

**Authorization of Bonds**

The Resolution authorizes one or more series of Bonds of the Issuer for an Authorized Purpose to be designated as "State Personal Income Tax Revenue Bonds (Education)" (*Economic Development and Housing*) and creates a continuing pledge and lien to secure the full and final payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, all the Bonds. The Bonds shall be special obligations of the Issuer secured by the pledge effected pursuant to the Resolution and are payable solely out of the Pledged Property, without recourse against any other assets, revenues or funds of or other payments due to the Issuer. The aggregate principal amount of the Bonds which may be executed, authenticated and delivered under the Resolution is not limited except as provided in the Resolution or as limited by law.

The Bonds shall not be debt of the State, and the State shall not be liable thereon, nor shall they be payable out of any funds other than those pledged therefor pursuant to the Resolution.

The Bonds may, if and when authorized by the Issuer pursuant to one or more Supplemental Resolutions, be issued in one or more Series, and the designation thereof, in addition to the name "State Personal Income Tax Revenue Bonds (Education)" (*Economic Development and Housing*) shall include such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series, as the Issuer may determine; *provided* that with respect to any Bond denominated as a note, capital lease or other form of obligation, the Issuer may denominate such obligation as other than a "Bond". Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

Nothing contained in the Resolution shall be deemed to preclude or restrict the consolidation pursuant to a Supplemental Resolution of any Bonds of any two or more separate Series authorized pursuant thereto and to any such Supplemental Resolution to be issued pursuant to any of the provisions of the Resolution into a single Series of Bonds for purposes of sale and issuance; *provided*, *however*, that each of the tests, conditions and other requirements contained in the Resolution as applicable to each such separate Series shall be met and complied with. Except as otherwise provided in the Resolution or in such Supplemental Resolution, such a consolidated Series shall be treated as a single Series of Bonds for all purposes of the Resolution.

(Section 201)

**Redemption**

Bonds of a Series subject to redemption prior to maturity pursuant to the Resolution or to a Supplemental Resolution or Certificate of Determination shall be redeemable in accordance with the Resolution, at such times, at such Redemption Prices and upon such terms as may otherwise be specified in the Resolution, in the Bonds or in the Supplemental Resolution authorizing such Series or the related Certificate of Determination.

(Section 401)

**The Pledge Effected by the Resolution**

The Bonds are special obligations of the Issuer payable solely from the sources set forth in the Resolution.

(Section 501)

**Establishment of Funds**

The Resolution establishes the following Funds, which shall be held and administered by the Trustee, except for the Bond Proceeds Fund which at the discretion of the Issuer may be held and administered by the Issuer. Each of such Funds and accounts shall have as a prefix "Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (Education)" (*Economic Development and Housing*).

1. Revenue Fund,

2. Debt Service Fund,

3. Rebate Fund,

4. Bond Proceeds Fund,

5. Administrative Fund,

6. Subordinated Payment Fund.

Additional Funds, or accounts and subaccounts within each of the foregoing Funds may from time to time be established in accordance with a Supplemental Resolution, Certificate of Determination or upon the direction of the Issuer evidenced by a certificate of an Authorized Officer of the Issuer. Except as otherwise provided in a Supplemental Resolution, all moneys at any time deposited in any Fund and account created by the Resolution (other than the Rebate Fund), including in any fund or account established to effect an economic defeasance of any Bonds under the Resolution, shall be held in trust separate and apart from all other funds by the Issuer or Trustee, as appropriate, for the benefit of the Holders of each Series of Bonds.

(Section 502)

**Revenue Fund**

There shall be deposited promptly upon receipt by the Trustee to the credit of the Revenue Fund all Revenues.

Financing Agreement Payments together with any other Pledged Property deposited in the Revenue Fund, shall be applied to the Funds and accounts established under the Resolution consistent with the requirements set forth in the Financing Agreement; *provided*, *however*, that if the amount of any such payment, together with other Pledged Property deposited in the Revenue Fund, is less than the amount certified, the payment shall be applied in the amounts certified, first, to the Debt Service Fund, second, to the Rebate Fund, third, to the Subordinated Payment Fund and, fourth, to the Administrative Fund; *provided*, *however*, that so long as the total amount held in the Debt Service Fund shall be sufficient to fully pay all Outstanding Bonds and Parity Reimbursement Obligations (including Principal or applicable Redemption Price of and interest on such Bonds) in accordance with their terms, no deposits shall be required to be made into the Debt Service Fund.

(Section 503)

**Debt Service Fund**

In addition to the moneys allocated from the Revenue Fund pursuant to the Resolution, the Trustee shall deposit into the Debt Service Fund such portion of the proceeds of the sale of Bonds of any Series, if any, as shall be prescribed in the Supplemental Resolution or related Certificate of Determination.

The Trustee shall on or before each Interest Payment Date, Redemption Date or other payment date, as the case may be, withdraw and pay from the Debt Service Fund:

i) The interest due on all Outstanding Bonds on such Interest Payment Date;

ii) The Principal Installments due on all Outstanding Bonds on such Interest Payment Date;

iii) The Sinking Fund Installments, if any, due on all Outstanding Bonds on such Interest Payment Date;

iv) The Redemption Price due on all Outstanding Bonds on any Redemption Date in accordance with the Resolution; and

v) Amounts due with respect to Parity Reimbursement Obligations.

Except as otherwise provided in a Supplemental Resolution, the amounts paid out to any Paying Agent pursuant to the Resolution remain irrevocably pledged until, and shall be, applied to such payments.

In the event of the refunding of any Bonds, the Trustee shall, upon the direction of the Issuer, withdraw from the Debt Service Fund all or any portion of the amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts with itself as Trustee or any other fiduciary selected by the Issuer to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Bonds being refunded; *provided* that such withdrawal shall not be made unless (i) upon such refunding, the Bonds being refunded shall be deemed to have been paid within the meaning and with the effect provided in the Resolution, and (ii) the amount remaining in the Debt Service Fund shall be not less than the amount needed to pay the Debt Service on all Outstanding Bonds accrued through such date.

Investment income on amounts in the Debt Service Fund shall be retained in such Fund or, upon direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund or, with the concurrence of the Director of the Budget, to the Bond Proceeds Fund.

(Section 504)

**Rebate Fund**

The Trustee shall deposit to the Rebate Fund any moneys delivered to it by the State for deposit therein and, notwithstanding any other provisions of the Resolution, shall transfer to the Rebate Fund in accordance with the directions of an Authorized Officer of the Issuer, moneys on deposit in any other Funds held by the Trustee under the Resolution at such times and in such amounts as shall be set forth in such directions. Moneys on deposit in the Rebate Fund shall be applied by the Trustee, in accordance with the direction of the Issuer, to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Issuer shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America in accordance with the provisions of the Arbitrage and Use of Proceeds Certificate, if any, delivered in connection with each Series of Bonds. Moneys which the Issuer determines to be in excess of the amount required to be so rebated shall be deposited to the Revenue Fund.

If and to the extent required by the Code or an Arbitrage and Use of Proceeds Certificate, the Issuer shall periodically, at such times as may be required to comply with the Code, determine the Rebate Amount with respect to each Series of Bonds and transfer from any other Fund or account held under the Resolution and deposit to the Rebate Fund all or a portion of the Rebate Amount with respect to such Series of Bonds and pay out of the Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 505)

**Bond Proceeds Fund**

Except as otherwise provided in a Supplemental Resolution or related Certificate of Determination, the Issuer, or the Trustee at the direction of the Issuer shall deposit into the Bond Proceeds Fund the proceeds of sale of each Series of Bonds, unless otherwise required to be deposited into and held in the Debt Service Fund, to enable the Issuer to comply with the conditions precedent to the issuance of any Bonds.

Except as may be otherwise provided in the Supplemental Resolution or related Certificate of Determination, amounts in the Bond Proceeds Fund shall be applied by the Issuer from time to time for any of the purposes set forth in paragraphs (a) and (b) of subdivision one of Section 68-b through the payment of Costs of a Project consistent with terms of any Requisition.

Whenever the Issuer shall determine and the Director of the Budget shall agree that the amount on deposit to the credit of the Bond Proceeds Fund is in excess of its requirements for the purposes for which amounts in such Fund may be used as permitted by law, such excess amount shall be withdrawn therefrom and deposited into the Revenue Fund. Notwithstanding the foregoing, amounts in the Bond Proceeds Fund may be applied to the payment of Principal Installments and interest on the applicable Series of Bonds and of Parity Reimbursement Obligations when due, and to the extent that other moneys are not available therefor, amounts in the Bond Proceeds Fund may be applied to the payment of Principal Installments and interest on the Bonds and of Parity Reimbursement Obligations when due.

Except as otherwise provided in the Resolution or a Supplemental Resolution, investment income on amounts in the Bond Proceeds Fund from proceeds of a Series of Bonds shall be transferred to the Revenue Fund, or, upon the direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund, or with the concurrence of the Director of the Budget, shall be retained in the Bond Proceeds Fund or transferred to the Debt Service Fund.

(Section 506)

**Application of Moneys in the Debt Service Fund for Redemption of Bonds and Satisfaction of Sinking Fund Installments**

Moneys delivered to the Trustee, which by the provisions of the Resolution are to be applied for redemption of Bonds, shall upon receipt by the Trustee be deposited to the credit of the Debt Service Fund for such purpose to the extent not otherwise provided pursuant to a Supplemental Resolution.

Moneys in the Debt Service Fund to be used for redemption of Bonds of a Series may be applied by the Issuer to the purchase of Outstanding Bonds of such Series at purchase prices not exceeding the Redemption Price applicable on the next Interest Payment Date on which such Bonds are redeemable, plus accrued interest to such date, at such times, at such purchase prices and in such manner as the Issuer shall direct.

In satisfaction, in whole or in part, of any Sinking Fund Installment, the Issuer may deliver to the Trustee at least 45 days prior to the date of such Sinking Fund Installment, for cancellation, Bonds acquired by purchase or redemption, except Bonds acquired by purchase or redemption pursuant to the preceding paragraph, of the maturity and interest rate entitled to such Sinking Fund Installment. All Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Installment shall reduce the amount thereof by the amount of the aggregate principal amount of such Bonds. Concurrently with such delivery of such Bonds the Issuer shall deliver to the Trustee a certificate of an Authorized Officer of the Issuer specifying (i) the principal amount, Series, maturity, interest rate and numbers of the Bonds so delivered, (ii) the date and Series of the Sinking Fund Installment in satisfaction of which such Bonds are so delivered, (iii) the aggregate principal amount of the Bonds so delivered, and (iv) the unsatisfied balance of each such Sinking Fund Installment after giving effect to the delivery of such Bonds.

The Trustee shall, in the manner provided in the Resolution, call for redemption, on the date of each Sinking Fund Installment falling due prior to maturity, such principal amount of Bonds of the Series and maturity entitled to such Sinking Fund Installment as is required to exhaust the unsatisfied balance of such Sinking Fund Installment.

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

(Section 507)

**Administrative Fund**

Amounts in the Administrative Fund shall be paid out from time to time by the Trustee at the request of the Issuer for reasonable and necessary Issuer Expenses, free and clear of the lien and pledge created by the Resolution.

Amounts in the Administrative Fund being held for Issuer Expenses the payment of which is not immediately required may in the discretion of the Issuer be invested in Investment Obligations. The Issuer may by written instruction to the Trustee sell any such investments at any time and the proceeds of such sale and of all payments at maturity or upon redemption of such investments shall be held in the Administrative Fund. Whenever the Administrative Fund exceeds the amount reasonable and necessary for Issuer Expenses, the Issuer shall direct the Trustee to pay the excess to the Revenue Fund.

Investment income on amounts in the Administrative Fund shall be deposited into the Revenue Fund.

(Section 508)

**Subordinated Payment Fund**

The Issuer may, at any time, or from time to time, issue Subordinated Indebtedness payable out of, and which may be secured by a pledge of and lien on, such amounts as may from time to time be available for transfer to the Subordinated Payment Fund pursuant to the Resolution; *provided*, *however*, that (a) such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge created by the Resolution as security for the Bonds and Parity Reimbursement Obligations and (b) to the extent provided by Supplemental Resolution, any amounts so transferred shall thereafter be free and clear of any lien, pledge or claim of the Resolution. The Issuer may establish such priorities of payment and security among Subordinated Indebtedness as it deems appropriate; *provided*, *however*, that the Supplemental Resolution or indenture or other agreement providing for the issuance of such Subordinated Indebtedness shall not permit the holders of such Subordinated Indebtedness to declare the same, nor to instruct such holders' trustee to declare the same, to be immediately due and payable any time that any Bonds and Parity Reimbursement Obligations remain Outstanding.

Subject to the other provisions of the Resolution, the Trustee shall deposit into the Subordinated Payment Fund all Revenues for (i) payments on any Subordinated Indebtedness, or (ii) Qualified Swap Payments or payments on other financial instruments entered into by the Issuer.

The Trustee shall pay out of the Subordinated Payment Fund all amounts required for the payments described in this section pursuant to any resolution adopted by, or otherwise at the written direction of, the Issuer.

Except as otherwise provided in the Resolution or a Supplemental Resolution, investment income on amounts in the Subordinated Payment Fund shall be transferred to the Revenue Fund, or, upon the direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund, or with the concurrence of the Director of the Budget, shall be retained in the Subordinated Payment Fund or transferred to the Debt Service Fund.

(Section 509)

**Transfer of Investments**

Whenever moneys in any Fund or account established under the Resolution or under any Supplemental Resolution are to be paid in accordance with the Resolution to another such Fund or account, such payment may be made, in whole or in part, by transferring to such other Fund or account investments held as part of the Fund or account from which such payment is to be made, whose value, together with the moneys, if any, to be transferred, is at least equal to the amount of the payment then to be made, *provided* that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such Fund or account.

(Section 510)

**Power to Issue Bonds and Effect Pledge**

The Issuer is duly authorized under all applicable laws to create and issue the Bonds, adopt the Resolution and pledge the Pledged Property in the manner and to the extent provided in the Resolution. The Pledged Property is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the legally valid and binding special obligations of the Issuer enforceable in accordance with their terms and the terms of the Resolution. The Issuer shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all the rights of the Holders of Bonds and other obligations under the Resolution against all claims and demands of all Persons whomsoever.

(Section 601)

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## APPENDIX B-II

## SUMMARY OF CERTAIN PROVISIONS OF THE STATE PERSONAL INCOME TAX REVENUE BONDS STANDARD RESOLUTION PROVISIONS

The following sections contain definitions of certain terms used in this general summary ("Summary") of certain provisions of the Standard Resolution Provisions. The definitions and Summary are not to be considered a full statement of all terms used in the Standard Resolution Provisions or the Resolution to which the Standard Resolution Provisions is appended and, accordingly, are qualified by reference to and are subject to the full text of the Standard Resolution Provisions and the Resolution. Copies of the Standard Resolution Provisions and the Resolution may be obtained upon request from the Dormitory Authority of the State of New York.

**Definitions**

Capitalized terms used but not otherwise defined in this Summary shall have the meanings set forth in the General Resolution to which the Standard Resolution Provisions are appended. The following terms shall, for all purposes therein and (except as the context may otherwise require) in the General Resolution to which these Standard Resolution Provisions are appended, have the following meanings:

**Accreted Value** shall mean, with respect to any Capital Appreciation Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Capital Appreciation Bonds and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accreted Values for such Valuation Dates. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

**Additional Bonds** shall mean Bonds authenticated and delivered on original issuance pursuant to the Standard Resolution Provisions.

**Amortized Value** when used with respect to Investment Obligations purchased at a premium above or a discount below par, shall mean the value of such Investment Obligations computed by using an industry standard constant yield method selected by an Authorized Officer of the Issuer.

**Appreciated Value** shall mean with respect to any Deferred Income Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Deferred Income Bonds, (ii) as of any date prior to the Interest Commencement Date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

**Arbitrage and Use of Proceeds Certificate** shall mean, with respect to any Series of Bonds, the interest on which is intended by the Issuer to be excluded from gross income for federal income tax purposes, a certificate or certificates executed by an Authorized Officer of the Issuer in connection with the initial issuance and delivery of the Bonds of such Series and containing representations, warranties and covenants of the Issuer relating to the federal tax status of such Series of Bonds, as such certificate or certificates may be amended and supplemented from time to time.

**Authorized Issuer** shall mean any public authority or public benefit corporation enumerated by subdivision 1 of Section 68-a.

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

**Authorized Purpose** shall mean a purpose as provided by the Enabling Act for the Issuer.

**Bank** shall mean any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America, or (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law, or domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America.

**Bond** or **Bonds** shall mean any of the bonds or notes of the Issuer authorized and issued pursuant to the Resolution and to a Supplemental Resolution; *provided*, *however*, that such terms shall not include any Bond Anticipation Notes, or bonds, notes or other obligations, including Qualified Swaps, payable from the Subordinated Payment Fund.

**Bond Anticipation Notes** shall mean notes issued pursuant to the Standard Resolution Provisions.

**Bond Counsel** shall mean an attorney or law firm, appointed by the Issuer, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

**Bondholder**, **Holder** or **Holder of Bonds**, or any similar term, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds.

**Business Day** shall mean a day of the year which is not a Saturday, Sunday, or a day on which the Trustee or banking institutions chartered by the State or the United States of America are required or authorized by law to close in The City of New York, or any day on which the New York Stock Exchange is closed.

**Calculated Debt Service** shall mean for any period, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligations, the sum of Debt Service for such period determined by the Issuer based on the following adjustments:

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

With respect to Put Bonds and any Bonds of a Series the interest on which is payable periodically and at least twenty-five per centum (25%) of the original principal amount of which is stated to mature at one time and for which maturing principal amount amortization requirements have not been designated, (i) Principal Installments shall be deemed to amortize over a 30-year period from their date of issuance (or any shorter period provided by Supplemental Resolution) based on substantially level debt service as estimated by the Issuer, and (ii) interest shall be based on the actual interest rate or the Estimated Average Interest Rate, as applicable.

If the Issuer has irrevocably deposited Investment Obligations or money with the Trustee (or otherwise in trust) for the payment of any portion of Debt Service, the expected future cash flow from such Investment Obligations and money shall be deducted from Debt Service.

If the Issuer has, at any time, irrevocably called for redemption of one or more Series of Bonds, including pursuant to a covenant to apply any portion of the Pledged Property to redeem Bonds or Parity Reimbursement Obligations (which particular Bonds or Parity Reimbursement Obligations need not be specifically identified in advance, except as to interest rate and maturity), the Issuer shall take into account such redemption for purposes of determining Calculated Debt Service.

With respect to Parity Reimbursement Obligations, an interest rate calculated at a higher interest rate on the related Bonds shall only be taken into account if, at the time of calculation, such higher rates are then payable thereon.

**Capital Appreciation Bonds** shall mean Bonds of a Series denominated as such and issued as to which interest is payable only at the maturity or prior redemption of such Bonds. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, (ii) computing the principal amount of Obligations held by the registered owner of a Capital Appreciation Bond in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value (which in the case of clause (ii) may be the Accreted Value as of the immediately preceding Valuation Date).

**Certificate of Determination** shall mean a certificate of an Authorized Officer of the Issuer fixing terms, conditions and other details of Bonds, Parity Reimbursement Obligations, Credit Facilities, Subordinated Indebtedness, or other matters in accordance with the delegation of power to do so under the Resolution or a Supplemental Resolution.

**Code** shall mean the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code shall be deemed to include the Regulations, including temporary and proposed Regulations, relating to such section which are applicable to the Resolution, including the Bonds or the use of Bond proceeds.

**Comptroller** shall mean the Comptroller of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any other official of the State authorized to act on behalf of the Comptroller in connection therewith.

**Cost** or **Costs of a Project** shall mean costs and expenses or the refinancing of costs and expenses incurred or to be incurred in connection with a Project, including, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses for labor and materials and payments to consultants, contractors, builders and materialmen, for the acquisition, design, construction, reconstruction, rehabilitation, preservation, development, improvement or modernization of the Project, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of the Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising the construction of the Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs necessarily and appropriately incurred in connection with the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of the Project, (vii) any sums required to reimburse the State or the Issuer for advances made by either party for any of the above items or for other costs incurred and for work done by the State or Issuer in connection with the Project, and (viii) grants or loans by or on behalf of the State for any of the foregoing.

**Cost** or **Costs of Issuance** shall mean the items of expense incurred in connection with the authorization, sale and issuance of a Series of Bonds or Bond Anticipation Notes, which items of expense shall include Issuer Expenses, State bond issuance charges, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee or a Securities Depository, legal fees and charges, professional consultants' fees, underwriting fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for Credit Facilities, Qualified Swaps and other similar financial arrangements, costs and expenses of refunding of Bonds or Prior Obligations and other costs, charges and fees, including those of the Issuer, in connection with the foregoing.

**Counsel's Opinion** shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the practice of law relating to municipal, state and public agency financing selected by the Issuer.

**Credit Facility** shall mean any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement of any payment thereunder (or any combination of the foregoing), which is obtained by the Issuer and is issued by a financial institution, insurance provider or other Person and which provides security or liquidity in respect of any Outstanding Bonds or Parity Reimbursement Obligations.

**Debt Service** for any period shall mean, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation Outstanding, the sum of: (i) interest on the Bonds of such Series and the interest components of Parity Reimbursement Obligation accruing during such period and (ii) that portion of each Principal Installment for such Bonds and Parity Reimbursement Obligation that would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the preceding Principal Installment payment date on Outstanding Bonds and Parity Reimbursement Obligation; *provided*, *however*, that, unless otherwise set forth in a Supplemental Resolution, no Principal Installment shall be deemed to begin accruing until the later of one year prior to such Principal Installment's due date and the date of issuance or incurrence of the related Bond or Parity Reimbursement Obligation.

**Defeased Municipal Obligations** shall mean pre-refunded municipal obligations rated in the highest Rating Category by each Rating Agency and meeting the following requirements:

The municipal obligations (i) are not subject to redemption prior to maturity or (ii) the trustee or the paying agent has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions; and

The municipal obligations are fully secured by cash or Government Obligations which may be applied only to payment of the principal of and interest and premium, if any, on such municipal obligations.

**Deferred Income Bond** shall mean any Bond (1) as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is (i) compounded on each Valuation Date for such Deferred Income Bond and (ii) payable only at the maturity or prior redemption of such Bonds and (2) as to which interest accruing after the Interest Commencement Date is payable on the first interest payment date succeeding the Interest Commencement Date and periodically thereafter on the dates specified in or determined by Supplemental Resolution. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed prior to maturity, (ii) computing the principal amount of Bonds held by the registered owner of a Deferred Income Bond in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Deferred Income Bond shall be deemed to be its Appreciated Value (which in the case of clause (ii) may be the Appreciated Value as of the immediately preceding Valuation Date).

**Director of the Budget** shall mean the Director of the Division of the Budget of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any official of the State authorized to act on behalf of the Director of the Budget in connection therewith.

**Enabling Act** shall mean Article 5-C of the State Finance Law, Chapter 56 of the Consolidated Laws of the State of New York, as may be hereafter amended from time to time.

**Estimated Average Interest Rate** shall mean, as to any Variable Interest Rate Bonds or Qualified Swap and as of any date of calculation, the average interest rate or rates anticipated to be borne by such Bonds or Qualified Swap, or by the combination of such arrangements, over the period or periods for which such rate or rates are anticipated to be in effect, all as estimated by an Authorized Officer of the Issuer in consultation with the Director of the Budget.

**Event of Default** shall mean any Event of Default set forth in the Standard Resolution Provisions.

**Fiduciary** shall mean the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

**Fiduciary Capital Funds** when used with respect to any Fiduciary shall mean the total of (i) paid in capital, (ii) surplus, (iii) undivided profits and (iv) the par value of outstanding capital notes issued and subordinated to the claims of creditors of such Fiduciary other than the holders of such capital notes.

**Financing Agreement** shall mean the applicable financing agreement authorized by subdivision 1 of Section 68-c, as amended and supplemented in accordance with the terms thereof and the Standard Resolution Provisions and referred to in the Standard Resolution Provisions.

**Financing Agreement Payment** shall refer to any payment obligation of the State incurred pursuant to a Financing Agreement and denominated therein as a “Financing Agreement Payment,” to pay to the Issuer or the Trustee from amounts available therefor in the Revenue Bond Tax Fund.

**Fund** shall mean any one of the funds created and established pursuant to the Resolution.

**Government Obligations** shall mean (a) direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America and entitled to the full faith and credit thereof; (b) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations described in clause (a) above or in any specific interest or principal payments due in respect thereof; *provided*, *however*, that the custodian of such obligations or specific interest or principal payments shall be a bank or trust company organized under the laws of the United States of America or of any state or territory thereof or of the District of Columbia, with a combined capital stock, surplus and undivided profits of at least $50,000,000 or the custodian is appointed by or on behalf of the United States of America; and *provided*, *further*, that except as may be otherwise required by law, such custodian shall be obligated to pay to the holders of such certificates, depositary receipts or other instruments the full amount received by such custodian in respect of such obligations or specific payments and shall not be permitted to make any deduction therefrom; (c) an obligation of any federal agency approved by the Issuer; (d) a share or interest in a mutual fund, partnership or other fund wholly comprised of obligations described in clauses (a), (b) and (c) above; (e) Defeased Municipal Obligations; or (f) any other Investment Obligation designated in a Supplemental Resolution as a Government Obligation for purposes of defeasing Bonds, which is not redeemable at the option of the issuer thereof and which shall be rated at the time of the investment in the highest long-term Rating Category by each Rating Agency.

**Interest Commencement Date** shall mean, with respect to any particular Deferred Income Bond, the date determined by Supplemental Resolution after which interest accruing on such Bond shall be payable on the first interest payment date succeeding such Interest Commencement Date and periodically thereafter on the dates determined pursuant to such Supplemental Resolution.

**Interest Payment Date** shall mean, with respect to a Series of Bonds, each date on which interest, if any, is payable pursuant to the Supplemental Resolution authorizing such Bonds.

**Investment Obligations** shall mean any of the following that are lawful investments at the time of the investment:

(a) Government Obligations,

(b) certificates of deposit issued by, and time deposits in, and bankers' acceptances of, any bank (including any Paying Agent or Trustee), any branch of any bank, national banking association or federally chartered savings and loan association; *provided* that, with respect to any of the foregoing institutions, whose long-term unsecured indebtedness is rated less than "A" by each Rating Agency, such certificates of deposit or time deposits or bankers' acceptances are (i) insured by the Federal Deposit Insurance Corporation for the full face amount thereof or (ii) to the extent not so insured, collateralized by direct obligations of the United States of America having a market value of not less than the face amount of such certificates and deposits,

(c) evidences of ownership of a proportionate interest in specified direct obligations of the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, or when "stripped" by the United States Treasury, then by the custodian designated by the United States Treasury,

(d) obligations of state or local government municipal bond issuers which are rated in one of the two highest Rating Categories by each Rating Agency,

(e) obligations of state or local government municipal bond issuers, the principal of and interest on which, when due and payable, have been insured by an insurance policy or guaranteed by a letter of credit and which are rated in one of the two highest Rating Categories by each Rating Agency,

(f) interests in a money market mutual fund registered under the Investment Company Act of 1940, 15 U.S.C. §§80-1, *et seq*., as from time to time amended, the portfolio of which is limited to obligations described in clause (a), (d), or (e) above and repurchase agreements fully collateralized thereby *provided* that such fund has total assets of at least $100,000,000 and is rated in the highest Rating Category by each Rating Agency,

(g) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian,

(h) any repurchase agreement for Government Obligations by the Issuer or any Trustee that is with a bank, trust company (including any Trustee) or securities dealer which is a member of the Securities Investors Protection Corporation, each of which is a primary reporting dealer in government securities as determined by the Federal Reserve Bank, or if "primary reporting dealers" cease to be determined by the Federal Reserve Bank, such other comparable standard as the Issuer shall implement pursuant to a Supplemental Resolution; *provided*, *however*, that the Government Obligations must be transferred to the Issuer or any Trustee or a third party agent by physical delivery or by an entry made on the records of the issuer or registrar of such obligations or clearing agent or depository, and the collateral security must continually have a market value at least equal to the amount so invested and the collateral must be free of third party claims. Any investment in a repurchase agreement shall be considered to mature on the date the bank, trust company or recognized securities dealer providing the repurchase agreement is obligated to repurchase the Government Obligations,

(i) commercial paper rated in the highest Rating Category by each Rating Agency,

(j) investment agreements, secured or unsecured, with any institutions whose debt securities are rated in one of the two highest Rating Categories (or rated in the highest Rating Category for short-term obligations if the investment is for a period not exceeding one year) by each Rating Agency,

(k) forward purchase agreements effecting the periodic delivery of securities listed in (a), (c), (d), (e), (g) and (i) above, and

(l) any other obligations from time to time permitted pursuant to the Issuer Act or other applicable law; *provided*, *however*, that if the funds invested in any such obligation are pledged for the payment of Bonds under the Resolution and the Bonds are then rated by a Rating Agency, such obligation shall be rated in one of the two highest Rating Categories of each such Rating Agency.

Any investment in any of the foregoing obligations may be made in the form of an entry made on the records of the issuer of the particular obligations or of a recognized Securities Depository.

**Issuer Board** shall mean the board or members of the Issuer duly appointed and acting pursuant to the Issuer Act, or their designees duly appointed and acting.

**Issuer Expenses** shall mean all proper items of cost or expenditure incurred or anticipated to be incurred by the Issuer in connection with the financing of any Project pursuant thereto, or direct and indirect administrative costs, fees and expenses and allocable portions of direct and indirect costs of the Issuer incurred in connection with financing such Project, including Costs of Issuance, initial fees and periodic fees to be paid in connection with Credit Facilities, legal fees, fees and expenses of trustees, remarketing agents, market agents, tender agents, auction agents, Depositories and Paying Agents, and financing charges and fees and expenses of financial advisors and consultants, costs of audits, and such other expenses not specified therein as may be necessary or incident to the financing of such Project, including through the issuance of Bonds or Bond Anticipation Notes and all other expenses of the Issuer relating to the financing of Projects set forth in the Enabling Act; *provided*, *however*, that Issuer Expenses shall not include any termination or other payments to be made in connection with Qualified Swaps or other similar arrangements or, except to the extent expressly provided above, Credit Facilities.

**Outstanding**, when used with reference to Bonds, shall mean, as of any date, all Bonds theretofore or thereupon being authenticated or otherwise validly executed and delivered under the Resolution except:

1. Any Bond canceled or delivered for cancellation at or prior to such date;

2. Any Bond (or portion of a Bond) deemed to have been paid in accordance with the Standard Resolution Provisions unless a Supplemental Resolution provides that Bonds of a Series having the benefit of a Credit Facility shall not thereby be deemed paid if payment is provided by the Credit Facility;

3. Any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Standard Resolution Provisions; and

4. Put Bonds tendered or deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Bonds on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Resolution, except to the extent such tendered Put Bonds thereafter may be resold pursuant to the terms thereof and of such Supplemental Resolution.

The principal component of any Parity Reimbursement Obligation shall be deemed to be Outstanding in a principal amount equal to the principal amount of the obligation then owed by the Issuer thereunder in lieu of the related Bond, regardless of the authorized amount of the principal component of such Parity Reimbursement Obligation or the related Bond and *provided* that, unless otherwise required pursuant to the related Supplemental Resolution, the principal component of such Parity Reimbursement Obligation shall not by itself increase the Outstanding principal amount of Bonds.

**Parity Reimbursement Obligation** has the meaning provided in the Standard Resolution Provisions.

**Paying Agent** or **Paying Agents** shall mean any paying agent for the Bonds of any Series appointed pursuant to the Standard Resolution Provisions, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution, and in the event that for any reason there shall be a vacancy in the office of Paying Agent, the Trustee, if a different entity, or the Issuer shall act as such Paying Agent.

**Person** shall mean any individual, corporation, firm, partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability company or other legal entity or group of entities, including any public benefit corporation, public instrumentality, quasi-governmental or governmental entity or any agency or subdivision thereof.

**Pledged Property** shall mean all of the Issuer's right, title and interest in and to (i) the Financing Agreements (other than (A) the Issuer's right to receive the payment of Issuer Expenses, (B) the right of the Issuer to enforce the obligation of the State to make Financing Agreement Payments, (C) the right of the Issuer to agree to the amendment of a Financing Agreement in accordance with the Standard Resolution Provisions, and (D) the right of the Issuer to enforce the provisions of any Financing Agreement independently of the Trustee, without limiting the right of the Trustee to enforce the payment of amounts (other than Financing Agreement Payments) under the Financing Agreements for the benefit of Bondholders or Fiduciaries), and (ii) the Revenues and Funds (other than the Rebate Fund and other Funds, and any accounts and subaccounts therein, established pursuant to a Supplemental Resolution in connection with Variable Interest Rate Bonds, Put Bonds, Parity Reimbursement Obligations, Reimbursement Obligations or Subordinated Indebtedness; *provided*, *however*, that such Funds, accounts and subaccounts are specifically excepted from Pledged Property by the Supplemental Resolution authorizing such Variable Interest Rate Bonds, Put Bonds, Parity Reimbursement Obligations, Reimbursement Obligations or Subordinated Indebtedness), including Investment Obligations held in such Funds under the Resolution, together with all proceeds and revenues of the foregoing and all other moneys, securities or funds pledged for the payment of the principal or Redemption Price of and interest on the Bonds in accordance with the terms and the Standard Resolution Provisions; *provided*, *however*, that in no event shall any Project or any interest therein be deemed to be "Pledged Property".

**Principal Installment** shall mean, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation, as applicable, (a) the principal amount of Outstanding Bonds of such Series, due on the dates and in the amounts specified by Supplemental Resolution, reduced by the principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Resolution of Sinking Fund Installments payable before such dates, plus the unsatisfied balance of any Sinking Fund Installments due on any certain future date for Bonds of such Series, together with such redemption premiums, if any, applicable on any such future date, and (b) with respect to any Parity Reimbursement Obligation, the amount due thereunder on the dates and in the amounts established in accordance with the Standard Resolution Provisions as a principal component of such Parity Reimbursement Obligation payable on a parity with the Bonds.

**Prior Obligations** shall mean bonds, notes or other obligations previously issued or incurred by an Authorized Issuer not under the Standard Resolution Provisions to finance Costs of a Project.

**Project** shall mean the land, buildings, improvements, betterments, equipment, furnishings, and other property, real or personal, and all appurtenances thereto and interests therein, comprising each of the projects to be acquired, constructed, reconstructed, renovated, or developed to effectuate an Authorized Purpose.

**Put Bonds** shall mean Bonds which by their terms may be tendered at the option of the Holder thereof, or are subject to a mandatory tender other than at the election of the Issuer for payment or purchase prior to the stated maturity or redemption date thereof.

**Qualified Swap** shall mean, to the extent from time to time permitted by law, with respect to Bonds, any financial arrangement (i) which is entered into by the Issuer with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such

Bonds of the Issuer as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Bonds); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, in each case executed by the Issuer for the purpose of moderating interest rate fluctuations, reducing debt service costs or creating either fixed interest rate Bonds or variable interest rate Bonds on a synthetic basis or otherwise, or other similar financial transaction, and (iii) which has been designated in writing to the Trustee by an Authorized Officer of the Issuer as a Qualified Swap with respect to such Bonds.

**Qualified Swap Payment** shall mean any payment required to be made by the Issuer under a Qualified Swap, such payment to be made only from the Subordinated Indebtedness Fund.

**Qualified Swap Provider** shall mean an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated at least as high as the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Swap Provider.

**Rating Agency** shall mean each nationally recognized statistical rating organization then maintaining a rating on the Bonds at the request of the Issuer.

**Rating Category** shall mean one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

**Rating Confirmation** shall mean evidence that no rating then in effect from a Rating Agency will be withdrawn or reduced solely as the result of an action to be taken under the Resolution; *provided*, *however*, that no action requiring Rating Confirmation shall be undertaken unless at least one Rating Agency at that time maintains a rating on Bonds.

**Rebate Amount** shall mean, with respect to each Series of Bonds, the amount equal to the rebatable arbitrage and any income attributable to the rebatable arbitrage as required by the Code.

**Record Date** shall mean with respect to any Interest Payment Date, unless the applicable Supplemental Resolution authorizing a particular Series of Bonds provides otherwise with respect to Bonds of such Series, the fifteenth (15th) day of the calendar month next preceding such Interest Payment Date.

**Redemption Date** shall mean the date upon which Bonds are to be called for redemption pursuant to the Standard Resolution Provisions.

**Redemption Price** shall mean, with respect to any Bonds, the Principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof.

**Refunding Bonds** shall mean all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered pursuant to the Standard Resolution Provisions, on original issuance pursuant to the Standard Resolution Provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Standard Resolution Provisions.

**Regulations** shall mean the Income Tax Regulations promulgated by the Department of the Treasury from time to time.

**Reimbursement Obligation** has the meaning provided in the Standard Resolution Provisions.

**Requisition** shall mean any instructions as deemed necessary and delivered by the Director of the Budget to the Issuer, providing for the payment of Bond proceeds to the State or any other entity.

**Revenues** shall mean (i) all amounts appropriated and paid to the Issuer or the Trustee from the Revenue Bond Tax Fund pursuant to Section 92-z and the Financing Agreement, constituting Financing Agreement Payments, (ii) any other amounts appropriated and paid by the State to the Issuer or received from any other source by the Issuer and pledged by the Issuer as security for the payment of Bonds, and (iii) interest received or to be received on any moneys or securities held pursuant to the Resolution.

**Revenue Bond Tax Fund** shall mean the fund established by section 92-z of the State Finance Law.

**Section 92-z** shall mean section 92-z of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

**Section 68-a** shall mean section 68-a of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

**Section 68-b** shall mean section 68-b of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

**Section 68-c** shall mean section 68-c of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

**Securities Depository** shall mean a recognized securities depository selected by the Issuer to maintain a book-entry system in respect to all or any portion of a Series of Bonds (including, as appropriate, any nominee thereof), and shall include any substitute for or successor to the Securities Depository initially acting as Securities Depository.

**Series** shall mean all of the Bonds authenticated and delivered on original issuance and denominated as part of the same series, and thereafter delivered in lieu of or in substitution of such Bonds pursuant to the Standard Resolution Provisions regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

**Sinking Fund Installment** shall mean, with respect to any Series of Bonds, as of any date of calculation and with respect to any Bonds of such Series, the amount of money required by the applicable Supplemental Resolution pursuant to which such Bonds were issued, to be paid in all events by the Issuer on a single future date for the retirement of any Outstanding Bonds of said Series which mature after said future date, but does not include any amount payable by the Issuer by reason only of the maturity of such Bond.

**State** shall mean the State of New York.

**State Fiscal Year** shall mean the fiscal year of the State as set forth in the State Finance Law.

**State Legislature** shall mean the Legislature of the State of New York.

**State Revenue Bonds** shall mean any notes, bonds or other obligations to be issued or incurred by the State or by a public corporation of the State on behalf of the State in accordance with a hereinafter enacted amendment to the State Constitution, payments with respect to which (i) are payable from specified, dedicated revenues and (ii) do not require an appropriation by the State Legislature in order to be made.

**Subordinated Indebtedness** shall mean any bond, note or other indebtedness authorized by Supplemental Resolution or other resolution of the Issuer and designated as constituting "Subordinated Indebtedness" in a certificate of an Authorized Officer of the Issuer delivered to the Trustee, which shall be payable and secured in a manner permitted by the Standard Resolution Provisions, and any lien on and pledge of any portion of the Pledged Property securing Subordinated Indebtedness shall be junior and inferior to the lien on and pledge of the Pledged Property created in the Resolution for the payment of the Bonds and Parity Reimbursement Obligations.

**Supplemental Resolution** shall mean any resolution supplemental to or amendatory of the Resolution adopted by the Issuer in accordance with the Resolution and, except as the context may otherwise require, including any related Certificate of Determination.

**Tax Law** shall mean the tax law constituting Chapter 60 of the consolidated laws of the State.

**Taxable Bonds** shall mean any Bonds which are not Tax-Exempt Bonds.

**Tax-Exempt Bonds** shall mean any Bonds the interest on which is intended by the Issuer to be generally excluded from gross income for federal income tax purposes and which are designated as Tax-Exempt Bonds in the Supplemental Resolution authorizing such obligations.

**Trustee** shall mean a trustee appointed by the Issuer or as otherwise provided in the Standard Resolution Provisions, its successor and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Resolution.

**Valuation Date** shall mean (i) with respect to any Capital Appreciation Bonds, the date or dates set forth in the Supplemental Resolution authorizing such Bond on which specific Accreted Values are assigned to such Capital Appreciation Bonds, and (ii) with respect to any Deferred Income Bonds, the date or dates on or prior to the Interest Commencement Date set forth in the Supplemental Resolution authorizing such Bonds on which specific Appreciated Values are assigned to the Deferred Income Bonds.

**Variable Interest Rate Bonds** shall mean Bonds which bear a variable interest rate but does not include any Bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate. The method of computing such variable interest rate shall be specified in the Supplemental Resolution authorizing such Series of Bonds.

(Section A-101)

**The Standard Resolution Provisions to Constitute Contract**

In consideration of the purchase and acceptance of any and all of the Bonds and Parity Reimbursement Obligations authorized to be issued or incurred under the Standard Resolution Provisions by those who shall hold the same from time to time, the Standard Resolution Provisions shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds and Parity Reimbursement Obligations; and the pledge made in the Standard Resolution Provisions and the covenants and agreements therein set forth to be performed on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds and Parity

Reimbursement Obligations, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds or Parity Reimbursement Obligations over any other thereof except as expressly provided in or permitted by the Resolution.

(Section A-104)

**General Provisions for Issuance of Bonds**

The issuance of Bonds of a Series or subseries shall be authorized by the Resolution and a Supplemental Resolution or Resolutions adopted at the time of or subsequent to the adoption of the Resolution and which shall be subject to the express limitations of the Resolution. The Bonds of a Series or subseries authorized to be issued shall be executed in accordance with the Standard Resolution Provisions and delivered to the Trustee. Such Series of Bonds or subseries shall be authenticated or otherwise delivered by the Trustee from time to time in such amounts as directed by the Issuer and by it delivered to or upon the order of the Issuer upon receipt of the consideration therefor and upon delivery to the Trustee of:

(A) a copy of the Resolution and the Supplemental Resolution authorizing such Series which, among other things, shall specify the following items (or the manner of determining such items prior to the delivery of the Bonds):

1. The authorized principal amount, designation and Series of such Bonds;

2. The purposes for which such Series of Bonds are being issued, which shall be one or more of the following: (a) one or more of the Authorized Purposes permitted by the Enabling Act, or (b) the refunding of Bonds as provided in the Standard Resolution Provisions;

3. The date or dates, and the maturity date or dates and principal amounts of each maturity of the Bonds of such Series;

4. The amount, or the method for determining such amount, and due date of each Sinking Fund Installment, if any, for Bonds of such Series;

5. The Record Date or Record Dates of Bonds of such Series for which the Record Date or Record Dates is other than the fifteenth (15th) day of the calendar month next preceding an Interest Payment Date for such Bonds;

6. If the Bonds of such Series are interest bearing Bonds, the interest rates of the Bonds of such Series and the Interest Payment Dates therefor;

7. If Bonds of such Series are Capital Appreciation Bonds, the Valuation Dates for such Bonds and the Accreted Value on each such Valuation Date;

8. If Bonds of such Series are Deferred Income Bonds, the Interest Commencement Date for such Obligations, the Valuation Dates prior to the Interest Commencement Date for such Bonds and the Appreciated Value on each such Valuation Date;

9. If Bonds of such Series are Capital Appreciation Bonds or Deferred Income Bonds, the manner in which and the period during which principal and interest shall be deemed to accrue on such Bonds;

10. If Bonds of such Series are Variable Interest Rate Bonds, the maximum interest rate, if any, or the method of calculating such maximum rate for such Bonds, and the provisions, if any, as to the calculation or change of variable interest rates;

11. If Bonds of such Series are Put Bonds, provisions regarding tender for purchase or redemption thereof and payment of the purchase or Redemption Price thereof;

12. The denomination or denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series;

13. The Paying Agent or Paying Agents, if any, and the place or places of payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if any, of and interest on the Bonds of such Series;

14. The redemption provisions, if any, applicable to the Bonds of such Series;

15. Provisions for time, place and manner of sale or exchange of the Bonds of such Series;

16. Any material change to the form of the Bonds of such Series and the form of the Trustee's certificate of authentication thereon from the forms set forth in Exhibit One to the Resolution. Except as otherwise provided pursuant to a Supplemental Resolution, all of the Bonds of each Series shall be in fully registered form without coupons;

17. Directions for the application of the proceeds of the Bonds of such Series;

18. To the extent applicable, direction to deliver such Series of Bonds in book-entry form to the extent materially different from the provisions of the Standard Resolution Provisions;

19. To the extent applicable, the provisions relating to (a) any Credit Facility, Qualified Swap or other similar financial arrangement entered into in connection with the issuance of the Bonds of such Series and (b) the obligations payable thereunder; and

20. Any other provision deemed advisable by an Authorized Officer of the Issuer, not in conflict with the provisions of the Standard Resolution Provisions or of the applicable Supplemental Resolution.

An Authorized Officer of the Issuer to whom a Supplemental Resolution has delegated the power to determine any of the foregoing shall execute a Certificate of Determination evidencing such determinations or other actions taken pursuant to such delegation, and such Certificate of Determination shall be conclusive evidence of the determinations or actions of such Authorized Officer as to the matters stated therein. The matters set forth in any such Certificate of Determination shall have the same effect as if set forth in the related Supplemental Resolution;

(B) Counsel's Opinion in customary form to the effect that (i) the Issuer has the right and power under the Acts to adopt the Standard Resolution Provisions, and the Resolution has been duly and lawfully adopted by the Issuer, is in full force and effect and is valid and binding upon the Issuer and enforceable in accordance with its terms, and no other authorization for the Resolution is required, (ii) the Resolution creates the valid pledge to the payment of the Bonds of the Pledged Property which it purports to create pursuant to the Standard Resolution Provisions, subject to the provisions of the Resolution permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Resolution, and (iii) upon the execution and delivery thereof and upon authentication by the Trustee, the Bonds of such Series will be valid and binding, special obligations of the Issuer payable as provided in, and enforceable in accordance with their terms and the terms of, the Resolution and entitled to the benefits of the Acts and the Resolution, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Acts, as amended to the date of such Counsel's Opinion, and in accordance with the Resolution;

(C) A certificate of an Authorized Officer of the Issuer stating that upon the delivery of the Bonds of such Series, the Issuer will not be in default in the performance of any of the terms, provisions or covenants of the Resolution or of any of the Bonds; *provided*, *however*, that solely with respect to Refunding Bonds being delivered on original issuance pursuant to the Standard Resolution Provisions, such certificate shall not be a condition to the authentication and delivery of such Refunding Bonds if and to the extent that a certificate of an Authorized Officer of the Issuer is delivered stating that upon the delivery of such Refunding Bonds the Issuer will no longer be in default in the performance of the terms, provisions or covenants of the Resolution or of any of the Bonds as specified in such certificate;

(D) A certificate of an Authorized Officer of the State stating that (i) to the best of such Authorized Officer's knowledge, no event of default under any Financing Agreements has occurred and is continuing nor will an event of default under any Financing Agreements occur as a result of the issuance of such Bonds, and (ii) the approval of the Director of the Budget for such financing;

(E) A copy of the Certificate of Determination, if any, executed in connection with such Series of Bonds;

(F) To the extent authorized by the Issuer pursuant to a Supplemental Resolution, one or more Credit Facilities with respect to any Series of Bonds and any agreements deemed necessary in connection therewith;

(G) A written order of an Authorized Officer of the Issuer as to the delivery of such Series of Bonds, describing such Bonds to be delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered and stating the consideration for such Bonds;

(H) A certificate of an Authorized Officer of the Issuer setting forth the amount of money, if any, to be deposited into the Debt Service Fund, equal to (a) the amount of capitalized interest funded with the proceeds of the Bonds of such Series, if any, and (b) the sum of the interest on the Bonds of such Series from the date of the Bonds of such Series to the date of delivery thereof;

(I) Any amounts (in the form of cash or Investment Obligations) required to be deposited with the Trustee at the time of issuance and delivery of the Bonds of such Series;

(J) Copies of the Financing Agreement applicable to such Series of Bonds; and

(K) Such further documents and moneys as are required by the provisions of the Standard Resolution Provisions or any Supplemental Resolution adopted pursuant to the Standard Resolution Provisions.

The Issuer may authorize by Supplemental Resolution the issuance of Capital Appreciation Bonds, Deferred Income Bonds, Variable Interest Rate Bonds, Put Bonds or any other form of Bond not in conflict with the provisions of the Resolution or of the applicable Supplemental Resolution.

The Issuer may authorize by Supplemental Resolution such other provisions relating to a Series of Bonds as are permitted by the Resolution.

The Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall they be payable out of any funds other than those of the Issuer pledged therefor pursuant to the Resolution.

(Section A-201)

**Special Provisions for Additional Bonds**

After the issuance of the initial Series of Bonds, one or more Series of Additional Bonds may be authorized and delivered upon original issuance for any Authorized Purpose, including payment of Project Costs and the refunding of Prior Obligations or Bonds or Parity Reimbursement Obligations or other indebtedness, upon receipt by the Trustee, in addition to any applicable requirements of the Standard Resolution Provisions, of the following:

A certificate by the Director of the Budget setting forth the most recent collections for any 12 consecutive calendar months ended not more than six months prior to the date of such certificate, of the taxes, fees, fines, penalties, or other monies which, as of the date of issuance of any such Series of Bonds, are levied, collected or imposed by or on behalf of the State and are required to be deposited into the Revenue Bond Tax Fund; *provided*, *however*, that if any taxes, fees, fines, penalties or other monies that are required to be deposited into such account were not so required to be deposited for all of such 12 calendar months, such certificate may nevertheless include the full amount of all such taxes, fees, fines, penalties, or other monies actually collected for such 12 calendar months;

(I) A certificate by an Authorized Officer of the Issuer setting forth the Calculated Debt Service on all Outstanding Bonds, including such Series of Additional Bonds to be issued and any additional amounts payable with respect to Parity Reimbursement Obligations for each State Fiscal Year for which such Bonds or Parity Reimbursement Obligations are Outstanding and (II) a certificate of the Director of the Budget, including the amount of Calculated Debt Service set forth in the certificate required by clause (2)(I) of this paragraph (based upon information furnished by each applicable Authorized Issuer pursuant to the related financing agreement), setting forth the calculated debt service (calculated in the same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) shall be made with respect to all Authorized Issuers that have issued bonds or parity reimbursement obligations pursuant to the Enabling Act, which bonds or parity reimbursement obligations are secured by payments to be made from the Revenue Bond Tax Fund for each State Fiscal Year for which such bonds or parity reimbursement obligations are outstanding; and

A certificate by the Director of the Budget stating that the amounts set forth pursuant to the first paragraph above will be at least 2.0 times the maximum calculated debt service (calculated in the same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) for all Authorized Issuers set forth in subsection (II) of second paragraph above for any State Fiscal Year set forth pursuant to above.

(Section A-202)

**Refunding Bonds**

One or more Series of Refunding Bonds may be authenticated and delivered to refund all Outstanding Bonds of one or more Series of Bonds or Parity Reimbursement Obligations or any portion of a Series of Outstanding Bonds or Parity Reimbursement Obligations, or any outstanding Prior Obligations, in each case including all or any portion of a maturity. The Issuer may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding (including by redemption, payment at maturity or in connection with exchanges or tenders) and to make such deposits required by the provisions of the Standard Resolution Provisions and of the Supplemental Resolution authorizing such Series of Refunding Bonds.

(A) In addition to the applicable requirements of the Standard Resolution Provisions, Refunding Bonds of any Series issued to refund Outstanding Bonds or Parity Reimbursement Obligations shall be authenticated by the Trustee or otherwise delivered by the Trustee upon the receipt by the Trustee of:

(1) If the Bonds to be refunded are to be redeemed, irrevocable instructions from the Issuer to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on a Redemption Date specified in such instructions;

(2) If Bonds to be refunded are to be deemed paid, evidence of due publication of the notice provided for in the Standard Resolution Provisions to the Holders of the Bonds being refunded;

(3) If Bonds to be refunded are to be deemed paid, either or both of

(i) moneys in an amount sufficient to effect payment of the principal at the maturity date therefor (or on exchange or tender) or the Redemption Price on the applicable Redemption Date of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or Redemption Date, which money shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, and

(ii) Government Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Standard Resolution Provisions, which Government Obligations and moneys shall be held in trust and used only as provided in the Standard Resolution Provisions; and

(4) Either (i) a certificate of an Authorized Officer of the Issuer (a) setting forth (A) the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds (including the Refunding Bonds then proposed to be issued but excluding the Bonds or Parity Reimbursement Obligations to be refunded or purchased) and (B) the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds as calculated immediately prior to the issuance of the Refunding Bonds (including the Bonds or Parity Reimbursement Obligations to be refunded or purchased but excluding the Refunding Bonds) and (b) stating that the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (A) above is not greater than the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (B) above; or (ii) the certificates required by the Standard Resolution Provisions with respect to such Series of Refunding Bonds, considering for all purposes of such certificate that the Refunding Obligations then proposed to be issued will be Outstanding but the Bonds or Parity Reimbursement Obligations to be refunded will no longer be Outstanding.

(B) In addition to the applicable requirements of the Standard Resolution Provisions, Refunding Bonds of any Series issued to refund in whole or in part any Prior Obligations shall be authenticated or otherwise delivered by the Trustee upon the receipt by the Trustee of the certificates required to be delivered in connection with the issuance of Additional Bonds in the Standard Resolution Provisions; and shall otherwise comply with any applicable requirements in connection with a refunding set forth in the resolutions which authorized the issuance of such Prior Obligations.

(C) The proceeds, including accrued interest, of such Refunding Bonds shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or determined in accordance with the Supplemental Resolution authorizing such Refunding Bonds or the related Certificate of Determination.

(Section A-203)

**Credit Facilities; Qualified Swaps and other similar arrangements; Parity Reimbursement Obligations**

The Issuer may include such provisions in a Supplemental Resolution or related Certificate of Determination authorizing the issuance of a Series of Bonds secured by a Credit Facility as the Issuer deems appropriate, including:

So long as the Credit Facility is in full force and effect, and payment on the Credit Facility is not in default and the provider of the Credit Facility is qualified to do business in the State, and (a) no proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of the provider of the Credit Facility in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property or for the winding up or liquidation of the affairs of the provider of the Credit Facility and such proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) days or such court shall enter a decree or order granting the relief sought in such proceeding, or (b) the provider of the Credit Facility shall not have commenced a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall not have consented to the entry of an order for relief in an involuntary case under any such law, or shall not have consented to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property, or shall not have made a general assignment for the benefit of creditors, or shall not have failed generally to pay its debts as they become due, or shall not have taken any corporate action with respect to any of the foregoing, then, in all such events, the provider of the Credit Facility shall be deemed to be the sole Holder of the Outstanding Bonds the payment of which such Credit Facility secures when the approval, consent or action of the Bondholders for such Bonds is required or may be exercised under the Resolution, including, without limitation, under the captions "Supplemental Resolutions" and "Amendments", and following a default under the caption "Defaults and Remedies; Defeasance", except where the Credit Facilities provide only liquidity support and not credit support.

In the event that the principal, Sinking Fund Installments, if any, and Redemption Price, if applicable, and interest due on any Bonds Outstanding, or the purchase price of puts in connection with such Bonds, shall be paid under the provisions of a Credit Facility, all covenants, agreements and other obligations of the Issuer to the Bondholders of such Bonds shall continue to exist and such provider of the Credit Facility shall be subrogated to the rights of such Bondholders in accordance with the terms of such Credit Facility.

(a) In addition, such Supplemental Resolution or related Certificate of Determination may establish such provisions as are necessary (i) to comply with the provisions of each such Credit Facility, (ii) to provide relevant information to the provider of the Credit Facility, (iii) to provide a mechanism for paying Principal Installments and interest on such Series of Bonds under the Credit Facility, and (iv) to make provision for any events of default or for additional or improved security required by the provider of a Credit Facility.

(b) In connection therewith the Issuer may enter into such agreements with the issuer of such Credit Facility providing for, inter alia: (i) the payment of fees and expenses to such provider for the issuance of such Credit Facility; (ii) the terms and conditions of such Credit Facility and the Series of Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facility.

(c) The Issuer may secure such Credit Facility by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Issuer in the applicable Supplemental Resolution. The Issuer may also in an agreement with the provider of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation") solely from Pledged Property; *provided*, *however*, that no Reimbursement Obligation shall be created, for purposes of the Standard Resolution Provisions, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Bond, may be secured by a pledge of, and a lien on, Pledged Property on a parity with the lien created by the Standard Resolution Provisions, but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Any Reimbursement Obligation conforming with the provisions of the previous sentence shall be deemed a "Parity Reimbursement Obligation". Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds. Parity Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds." Any such Parity Reimbursement Obligation shall be deemed to be a part of the Series of Bonds to which the Credit Facility which gave rise to such Parity Reimbursement Obligation relates.

(d) Any such Credit Facility shall be for the benefit of and secure such Series of Bonds or portion thereof as specified in the applicable Supplemental Resolution.

(e) In connection with the issuance of a Series of Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the Issuer also may enter into Qualified Swaps or, to the extent from time to time permitted pursuant to law, other similar arrangements if the Issuer determines that such Qualified Swaps or other similar arrangements will assist the Issuer in more effectively managing its interest costs. To the extent provided in a Supplemental Resolution or related Certificate of Determination, the Issuer's obligation to pay Qualified Swap Payments under any Qualified Swap may be secured by a pledge of, and a lien on, the Subordinated Payment Fund. Qualified Swap Payments may include any payments of any termination or other fees, expenses, indemnification or other obligations to a Qualified Swap Provider, or any payments that represent payment of interest thereunder in advance of the payment of interest on the Bonds to which such Qualified Swap relates.

(f) Parity Reimbursement Obligations shall not be a debt of the State and the State shall not be liable thereon, nor shall Parity Reimbursement Obligations be payable out of any funds other than those of the Issuer pledged therefor pursuant to the Resolution.

(Section A-204)

**Bond Anticipation Notes**

Whenever the Issuer shall have, by Supplemental Resolution, authorized the issuance of a Series of Bonds, the Issuer, subject to certain special provisions for additional bonds under the Standard Resolution Provisions, may by adoption of a Supplemental Resolution authorize the issuance of Bond Anticipation Notes in anticipation of the issuance of such authorized Series of Bonds, in a principal amount not exceeding the principal amount of the Bonds of such Series so authorized. The principal of and premium, if any, and interest on such Bond Anticipation Notes and any renewals of such Bond Anticipation Notes shall be payable only from (i) the proceeds of any renewals of such Bond Anticipation Notes issued to repay such Bond Anticipation Notes, (ii) the proceeds of the sale of the Series of Bonds in anticipation of which such Bond Anticipation Notes are issued, (iii) any amounts provided by the State and/or the federal government expressly for payment of such Bond Anticipation Notes, or (iv) the proceeds of such Bond Anticipation Notes deposited in any Fund or account under the Resolution. Such proceeds and other amounts set forth in clauses (i), (ii), (iii) and (iv) may be pledged for the payment of the principal of and premium, if any, and interest on such Bond Anticipation Notes and any such pledge shall have priority over any other pledge created by the Resolution. In any case, such Bond Anticipation Notes shall be retired or provision shall be made for their retirement not later than the date of authentication and delivery of the Series of Bonds in anticipation of which they are issued. The proceeds of the sale of Bond Anticipation Notes, other than renewals thereof, shall be applied to the purposes for which the Bonds in anticipation of which such Bond Anticipation Notes are authorized and shall be deposited in the appropriate Fund or account established by the Resolution for such purposes and, if so provided in the resolution authorizing renewals of Bond Anticipation Notes issued to pay outstanding Bond Anticipation Notes, applied directly to such payment. Interest earned on any amounts on deposit in any Fund or account under the Resolution representing the proceeds of any Bond Anticipation Notes shall be applied in the manner set forth in the Supplemental Resolution authorizing such Bond Anticipation Notes or the related Certificate of Determination.

(Section A-205)

**Additional Obligations**

The Issuer reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Issuer, so long as such bonds, notes or other obligations are not, or such indebtedness is not, except as provided in the Resolution, entitled to a charge, lien or right prior or equal to the charge or lien on the Pledged Property created by the Resolution, or prior or equal to the rights of the Issuer and Holders of Bonds.

(Section A-206)

**Redemption at the Election of the Issuer; Redemption other than at Issuer's Election; Selection of Bonds to be Redeemed**

In the case of any redemption of Bonds of a Series at the election of the Issuer, such Bonds may be redeemed at the option of the Issuer as provided in the Supplemental Resolution authorizing such Bonds. In exercising such option, the Issuer shall give written notice to the Trustee and any Paying Agent of its election to redeem, including the Series designation, the principal amounts and the maturities of such Bonds so elected. The Series designation, maturities and principal amounts thereof to be redeemed shall be determined by the Issuer in its sole discretion, subject to any limitations with respect thereto contained in the Resolution. Such notice shall be given to the Trustee at least forty-five (45) days prior to the date on which the Bonds of such Series are to be redeemed, or such fewer number of days as shall be acceptable to the Trustee.

Whenever by the terms of the Resolution, Bonds are required to be redeemed otherwise than at the election of the Issuer, the Trustee shall select the Bonds to be redeemed, give the notice of redemption and pay out of money available therefor the Redemption Price to the appropriate Paying Agents in accordance with the terms of the Standard Resolution Provisions. The Trustee shall have no liability in making such selection.

In the event of redemption of less than all of the Outstanding Bonds of a Series and maturity, the Trustee shall assign to each such Outstanding Bond of such Series and maturity or portion of a maturity to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which the Bonds of such Series are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds of such Series are authorized to be issued for each number, shall equal the principal amount of such Bonds to be redeemed. In making such selections the Trustee may draw such Bonds by lot (i) individually or (ii) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Bonds of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued, by the numbers assigned thereto as provided in the Standard Resolution Provisions) which end in the same digit or in the same two digits. In case, upon any drawing by groups, the total principal amount of Bonds of such Series drawn shall exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may in its discretion assign numbers to aliquot portions of such Bonds and select part of any such Bonds for redemption.

(Section A-402, A-403, and A-404)

**The Pledge Effected by the Resolution**

The Bonds are <u>special obligations</u> of the Issuer payable solely from the sources set forth in the subsection under the caption "The Pledge Effected by the Resolution". There is thereby pledged for the payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds and of Parity Reimbursement Obligations, in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof (and to the provisions authorizing Subordinated Indebtedness in the Resolution) for the purposes and on the terms and conditions set forth in the Resolution, all right, title and interest of the Issuer in the Pledged Property. Such pledge is for the equal and proportionate benefit and security of all and singular the present and future Holders of Bonds and obligees of Parity Reimbursement Obligations issued and to be issued under the Resolution, without preference, priority or distinction, except as otherwise provided in the Standard Resolution Provisions, of any one Bond or Parity Reimbursement Obligation over any other Bond or Parity Reimbursement Obligation, by reason of priority in the issue, sale or negotiation thereof or otherwise. The pledge and lien created by the Resolution for the Bonds and Parity Reimbursement Obligation shall be superior in all respects to any pledge or lien now or hereafter created for indebtedness or other obligation secured by the Subordinated Payment Fund.

The Issuer represents and warrants that under the Enabling Act (i) the pledge set forth in subsection 1 of the section under the caption "The Pledge Effected by the Resolution" is and shall be valid and binding from and after the date of issuance and delivery of the first Series of Bonds, and the items set forth in such pledge are and shall be immediately subject to the lien of such pledge without any physical delivery thereof or further act and the lien of such pledge is and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer irrespective of whether such parties have notice thereof; and (ii) neither the Resolution nor any other instrument need be recorded or filed to protect the pledge set forth in the aforementioned section.

The revenues, facilities, properties and any and all other assets of the Issuer, or of any subsidiary thereof, other than the Pledged Property, shall not be used for, or as a result of any court proceeding or otherwise, applied to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price, of and interest on the Bonds, and under no circumstances shall the aforementioned be available for such purpose, nor shall there be any recourse against any other assets, revenues or funds of or other payments due to the Issuer, other than the Pledged Property.

The State has no obligation to continue the imposition of the taxes or the sources of any other funds deposited in the Revenue Bond Tax Fund pursuant to Section 92-z, nor to maintain such taxes or the sources of any other funds at any minimum level, and moneys in the Revenue Bond Tax Fund are not pledged to the payment of the Bonds or Parity Reimbursement Obligations prior to appropriation and transfer to the Issuer or the Trustee.

The obligation of the Comptroller under Section 92-z with respect to moneys on deposit in the Revenue Bond Tax Fund are subject to the rights of holders of debt of the State.

Nothing contained in the aforementioned section shall be deemed a limitation upon the authority of the Issuer to issue bonds, notes or other obligations under the Issuer Act secured by other income and funds other than the Pledged Property.

(Section A-501)

**Establishment of Funds**

Funds and accounts shall be established as authorized by the Standard Resolution Provisions.

(Section A-502)

**Payment of Bonds**

The Issuer shall duly and punctually pay or cause to be paid the principal, Sinking Fund Installments, if any, Redemption Price of, and interest on every Bond, at the dates and places and in the manner set forth in the Bonds according to the true intent and meaning thereof.

(Section A-601)

**Extension of Payment of Bonds**

The Issuer shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and, in case the maturity of any of the Bonds or the time for payment of any claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Resolution, to the benefit of the Resolution or to any payment out of any assets of the Issuer or the Funds and accounts (except Funds and accounts held in trust for the payment of particular Bonds or claims for interest pursuant to the Resolution) held by the Trustee, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such claims for interest. Nothing in the Resolution shall be deemed to limit the right of the Issuer to issue Refunding Bonds as permitted by the Resolution and by the Issuer Act and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds refunded.

(Section A-602)

**Offices for Servicing Bonds**

The Issuer shall at all times maintain an office or agency in the State, where Bonds may be presented for payment, registration, transfer or exchange and where notices, presentations and demands upon the Issuer in respect of the Bonds or of the Standard Resolution Provisions may be served. The Issuer appoints the Trustee as its agent to maintain such office or agency in the State for the registration, transfer or exchange of Bonds, for the authentication of Bonds, and for the payment of Bonds.

(Section A-603)

**Further Assurance**

At any time and all times the Issuer shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the Pledged Property pledged or assigned by the Resolution, or intended so to be, or which the Issuer may hereafter become bound to pledge or assign. The Issuer further covenants that it shall use its best efforts, to the extent authorized by law, to cause the Director of the Budget to make and deliver the certificates referred to in the Standard Resolution Provisions at the times required therein and shall cause the amounts so received to be deposited in the appropriate Funds.

(Section A-604)

**Power to Issue Bonds and Pledge Revenues and Other Funds**

The Issuer is duly authorized under the Acts, and all applicable laws to create and issue the Bonds, to adopt the Resolution and to pledge the Pledged Property purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. Except to the extent otherwise provided in the Standard Resolution Provisions, the Pledged Property is and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable special obligations of the Issuer in accordance with their terms and the terms of the Resolution. The Issuer further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all of the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

(Section A-605)

**Creation of Liens**

Except in accordance with the provisions of the Standard Resolution Provisions, the Issuer shall not hereafter issue any bonds or other evidences of indebtedness, other than the Bonds, Parity Reimbursement Obligations and Bond Anticipation Notes, secured by an equal or prior pledge of all or any part of the Pledged Property, and shall not create or cause to be created any equal or prior lien or charge on the Pledged Property except as provided in the Standard Resolution Provisions; *provided*, *however*, that nothing contained in the Resolution shall prevent the Issuer from issuing (i) evidences of indebtedness payable out of, or secured by a pledge of, Revenues to be derived on and after such date as the pledge of the Revenues provided in the Resolution shall be discharged and satisfied as provided in the

Standard Resolution Provisions or (ii) evidences of indebtedness secured by the Subordinated Payment Fund.

(Section A-606)

**Certificate of the Director of the Budget**

In order to assure the maintenance of the Funds and accounts held under the Resolution, not later than thirty days after the submission of the executive budget for the ensuing State Fiscal Year in accordance with the State Constitution, the Issuer shall to the extent authorized by law use its best efforts to enforce the obligation set forth in the Financing Agreement of the Director of the Budget to certify to the Comptroller in accordance with subdivision 5(b) of Section 92-z and the Standard Resolution Provisions a schedule setting forth the following:

(a) The amount of receipts certified and estimated to be deposited on a monthly basis to the Revenue Bond Tax Fund; and

(b) The amount of monthly cash requirements so certified by the Director of the Budget for such State Fiscal Year which shall be at least equal to:

1. all payments of principal, Sinking Fund Installments, if any, and Redemption Price, of Outstanding Bonds due in such State Fiscal Year;

2. the amounts required to pay all interest on Outstanding Bonds (including interest at the Estimated Average Interest Rate for Variable Interest Rate Bonds or under the related Reimbursement Obligation) and any additional amounts due with respect to related Parity Reimbursement Obligations due in such State Fiscal Year;

3. all Issuer Expenses for such State Fiscal Year;

4. all principal of and interest or other amounts payable from the Subordinated Payment Fund and due in such State Fiscal Year;

5. any amounts required to rebate to the Department of the Treasury of the United States of America and not otherwise held in the Funds and accounts under the Resolution;

6. all other payment requirements referred to in the Enabling Act for such State Fiscal Year.

The schedule accompanying the certificate of the Director of the Budget shall also provide for payments as the Director of the Budget deems appropriate to ensure that sufficient funds will be available from the sources, including without limitation revenues derived from the taxes and fees deposited in the Revenue Bond Tax Fund in accordance with Section 92-z, to enable the Issuer to meet its obligations under the Resolution as they become due; *provided*, *however*, that such schedule shall require the Comptroller to set aside, on a monthly basis, amounts in the Revenue Bond Tax Fund such that the combined total of (i) the amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) the monthly amounts, as provided for in paragraph (a) above, required to be deposited to the Revenue Bond Tax Fund in such month is not less than one hundred twenty-five percent (125%) of the monthly cash requirements, as provided for in paragraph (b) above, to be paid by the Comptroller to the Trustee, on behalf of the Issuer, in the following month. Financing Agreement Payments shall be paid to the Trustee on or before the fifth Business Day preceding the date on which such payment is due; and *provided*, *further*, that to ensure sufficient funds will be available from the sources just described to meet the Issuer's obligations when due, such schedule shall require the Comptroller to pay (x) all moneys set aside pursuant to subdivision 5 of Section 92-z less (y) the Issuer's estimate of investment earnings available therefor on Funds and accounts established under the Resolution and other amounts available under the Resolution, which such estimate shall be made at least once each calendar month prior to the making of any transfer pursuant to subdivision 5 of Section 92-z.

The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the schedule required to accompany such certification, from time to time, to assure that such certification, together with the accompanying schedule, accurately sets forth any and all amounts required or projected by the Issuer for the purposes and at the times prescribed by subdivision 5 of Section 92-z. The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the accompanying schedule if additional amounts are required to make any payment of principal, Sinking Fund Installments, if any, and Redemption Price of or interest on Bonds or with respect to Parity Reimbursement Obligations.

In any event, whether or not there has been any intervening requirement to revise such certificate under the Standard Resolution Provisions, promptly but in no event later than 30 days after the date of the issuance of any Series of Bonds under the Resolution or the issuance of any Parity Reimbursement Obligation, or other evidence of indebtedness payable from the Subordinated Payment Fund or otherwise, the Director of the Budget shall submit a revised certification, together with the accompanying schedule, which accurately sets forth any and all amounts required or projected to be required by the Issuer as of such date for the purposes and at the times prescribed by the terms of the Standard Resolution Provisions.

The agreement of the State under Section 68-c shall be deemed executory only to the extent of appropriations available for payments under Section 68-c and no liability on account of any such payment shall be incurred by the State beyond such appropriations.

(Section A-607)

**Agreement With the Director of the Budget**

The Issuer shall only issue or incur Bonds (including Refunding Bonds), Parity Reimbursement Obligations or other obligations under the Resolution (including obligations incurred pursuant to the Standard Resolution Provisions) with the written approval of the Director of the Budget. The Issuer shall enter into one or more Financing Agreements with the State, acting through the Director of the Budget, as provided in subdivision 1 of Section 68-c providing for the specific manner, timing and amount of payments to be made under Section 68-c and the Resolution. The Issuer shall approve the form and substance of such Financing Agreement with respect to any Series of Bonds prior to or concurrently with the adoption of the applicable Supplemental Resolution and shall use its best efforts, to the extent permitted by law, to take all steps necessary or appropriate to enforce such Financing Agreement and to assure compliance by the State therewith. The Issuer shall not enter into any such Financing Agreement that is not in conformity with the Acts and the Resolution.

(Section A-608)

**Agreement With the State**

In accordance with the provisions of the Enabling Act and to the extent applicable, the Issuer Act, the Issuer includes in the Resolution, to the fullest extent enforceable under applicable federal and State law, the pledge to and agreement with the Holders of the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations issued or incurred under the Resolution made by the

State and set forth in the Acts that the State will not in any way impair the rights and remedies of such Holders until such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations and other obligations issued or incurred under the Resolution, together with interest thereon, with interest, if any, on any unpaid installments of interest and all costs and expenses in connection with any action or proceedings by or on behalf of such Holders, are fully met and discharged.

Notwithstanding any other provision of the Standard Resolution Provisions, nothing contained in the Acts or the Resolution shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to taxes imposed pursuant to Article 22 of the Tax Law. The Issuer and the Holders of the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations and other obligations issued under the Standard Resolution Provisions expressly agree that it shall be an integral part of the contract arising under the Standard Resolution Provisions that no default thereunder occur as a result of the State exercising its right to amend, repeal, modify or otherwise alter any such tax.

(Section A-609)

**Amendment of Financing Agreements**

The Issuer shall not amend, change, modify, alter or terminate any Financing Agreement so as to materially adversely affect the right, security and interest of the Holders of the Outstanding Bonds without the prior written consent of the provider of a Credit Facility, if any, affected thereby, or, in the event that there is no Credit Facility in place with respect to the Series of Bonds affected thereby, without the prior written consent of at least a majority in aggregate principal amount of the Holders of the Bonds then Outstanding and affected thereby; *provided*, *however*, that if such modification or amendment will, by its terms, not take effect so long as any Bonds remain Outstanding, the consent of the providers of the Credit Facility, if any, or the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Standard Resolution Provisions. Any Financing Agreement may be amended, supplemented, changed, modified or altered without the consent of the provider of the Credit Facility, if any, or the Holders of Outstanding Bonds to provide changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise, or the providing, furnishing and equipping of a Project or which may be added to such Project, or to provide for additional Financing Agreement Payments; and any Financing Agreement may be amended, supplemented, changed, modified or altered without such consent to cure any ambiguity, or to correct or supplement any provisions contained in any Financing Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in such Financing Agreement and which the Issuer determines will not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds or the provider of a Credit Facility, as the case may be. In no event shall changes relating solely to Projects, including schedules related thereto, be deemed to materially adversely affect such Holders or providers of Credit Facilities. Upon execution by the Issuer of any amendment, a copy thereof certified by the Issuer shall be filed with the Trustee and each provider of the Credit Facility affected thereby.

For the purposes of the Standard Resolution Provisions, Bonds shall be deemed to be materially adversely affected by an amendment, change, modification or alteration of any Financing Agreement if the same materially adversely affects or diminishes the rights, security and interest of the Holders of the Bonds or the provider of a Credit Facility, as the case may be. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds or the right, security and interest of the Holders of Outstanding Bonds or the provider of a Credit Facility, as the case may be, would be materially adversely affected by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the provider of a Credit Facility, the Trustee and all Holders of Bonds; and, *provided further*, *however*, any such amendments deemed necessary by the Issuer to effect any assumption, extinguishment and substitution authorized by the Standard Resolution Provisions shall not be deemed to materially adversely affect the Bonds.

For all purposes of the Standard Resolution Provisions, the Issuer shall be entitled to rely upon a Counsel's Opinion (a copy of which shall be provided by the Issuer to any provider of a Credit Facility thereby affected), with respect to whether any amendment, change, modification or alteration materially adversely affects the right, security and interest of any Holders of Bonds and any provider of a Credit Facility of a Series then Outstanding.

(Section A-610)

**Enforcement of Duties and Obligations of the State**

The Issuer shall use its best efforts, to the extent permitted by law, to cause the State to perform fully all duties and acts and comply fully with the covenants of the State required by any Financing Agreement in the manner and at the times provided in such Financing Agreement *provided*, *however*, that the Issuer may delay, defer or waive enforcement of one or more provisions of said Financing Agreement (other than provisions requiring the payment of moneys to any Fund or account established under the Resolution), if the Issuer determines such delay, deferment or waiver will not materially adversely affect the right, security and interest of the Holders of the Bonds of the applicable Series or the issuer of any Credit Facility.

(Section A-611)

**Reservation of State Rights of Assumption, Extinguishment and Substitution**

It is expressly understood and agreed by the Issuer and the Holders or other obligees of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Standard Resolution Provisions to be an integral part of the contract arising under the Standard Resolution Provisions that, in accordance with subdivision 6 of Section 68-c, the State reserves the right, upon amendment of the State Constitution to permit the issuance of State Revenue Bonds, which may be payable from or secured by revenues that include the Revenues pledged under the Standard Resolution Provisions, (i) to assume, in whole or in part, the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations of the Issuer issued or incurred under the Standard Resolution Provisions, (ii) to extinguish the existing lien on Pledged Property created under the Standard Resolution Provisions, and (iii) to substitute security or source of payment for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Standard Resolution Provisions, in each case only so long as such assumption, extinguishment and substitution is accomplished in accordance with the Standard Resolution Provisions. (Any Bonds paid or deemed to have been paid in accordance with the Standard Resolution Provisions on or before the date of any assumption, extinguishment and substitution shall not be taken into account in determining compliance with the provisions of the Standard Resolution Provisions.)

Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Standard Resolution Provisions as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest

rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and

2. any State Revenue Bonds resulting from such assumption, extinguishment and substitution shall be secured by revenues that may include all the Revenues securing the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Standard Resolution Provisions as of the day immediately preceding such assumption, extinguishment and substitution, and the provisions of the Enabling Act relating to security for or payment of the Bonds and Parity Reimbursement Obligations shall remain in full force and effect in substantially the form they existed immediately prior to such assumption, extinguishment and substitution and shall not have been amended in connection therewith except to the extent necessary or convenient to permit the Revenues and the Revenue Bond Tax Fund to be sources of payment or security for the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution; *provided*, *however*, that in connection with any such assumption, extinguishment and substitution, it is expressly understood and agreed by all Bondholders and all providers of Credit Facilities that the Enabling Act may be amended to delete the transfer from the general fund as set forth in paragraph (b) of subdivision 5 of Section 92-z and paragraph (a) of subdivision 5 of Section 92-z may be amended to delete the requirement that Financing Agreement Payments be appropriated before any moneys held pursuant to such Section 92-z are transferred to the general fund; and

3. any resolution or trust agreement securing the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution shall contain limitations on amendment powers no less restrictive than those set forth in the Standard Resolution Provisions, and shall include events of default to the effect of those contained in the Standard Resolution Provisions and shall grant the remedies contained in the Standard Resolution Provisions, *provided* that the Comptroller or the Attorney General of the State may serve in the capacity of the Trustee for such purposes and the State or other issuer of State Revenue Bonds may be substituted for the Issuer in the Standard Resolution Provisions, and shall include defeasance provisions no less restrictive than those set forth in the Standard Resolution Provisions; and

4. the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution shall have the same or superior priority of claim on the revenues securing such obligations as that provided by the Resolution; and

5. any resolution or trust agreement securing the State Revenue Bonds resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations secured under the Resolution shall contain a covenant of the State substantially to the effect of the covenant contained in the Standard Resolution Provisions; and

6. the Issuer shall furnish the Trustee and any provider of a Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution (A) complies with the provisions of the Standard Resolution Provisions and

the Enabling Act and (B) will have no adverse effect on the federal or State tax status of interest on the Bonds.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to the Standard Resolution Provisions (or brief summary thereof or reference thereto) shall be mailed by the Issuer to such Bondholders and providers of Credit Facilities to the extent affected thereby (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when effected as in the Standard Resolution Provisions).

Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and

2. with respect to all Bonds Outstanding, written consent to such assumption, extinguishment and substitution shall be given as provided in the Resolution by the Holders of at least a majority in principal amount of such Bonds Outstanding at the time such consent is given; and

3. the Issuer shall furnish the Trustee and any provider of a Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution complies with the provisions of the Standard Resolution Provisions and the Enabling Act.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to the Standard Resolution Provisions (or brief summary thereof or reference thereto) together with a request to the Bondholders indicated above for their consent thereto, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when consented to as in the Standard Resolution Provisions). No such assumption, extinguishment and substitution pursuant to this subdivision shall be effective unless and until there shall have been filed with the Issuer (i) the written consents of Holders of the percentages of Outstanding Bonds specified in this subdivision, and (ii) the aforementioned Counsel's Opinion. Each such consent of a Bondholder shall be effective only if accompanied by proof of the holding or owning, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Standard Resolution Provisions. A certificate or certificates by an Authorized Officer of the Issuer filed with the Issuer that such Authorized Officer has examined such proof and that such proof is sufficient in accordance with the Standard Resolution Provisions shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such Authorized Officer. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the Standard Resolution Provisions to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when the written statement of the Issuer in the Standard Resolution Provisions provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that such assumption, extinguishment and substitution have been consented to by the Holders of the required percentages of Bonds and will be effective as provided in the Standard Resolution Provisions, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such assumption, extinguishment and substitution from becoming effective and binding as in the Standard Resolution Provisions provided) and, in the sole discretion of the Issuer, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents and the written statement of the Issuer above provided for is filed (but failure to publish such notice shall not prevent such assumption, extinguishment and substitution from becoming binding as in the Standard Resolution Provisions provided). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by the Standard Resolution Provisions to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such assumption, extinguishment and substitution shall be deemed conclusively binding upon the State, the Issuer, the Trustee, and the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such assumption, extinguishment and substitution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; *provided*, *however*, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such assumption, extinguishment and substitution as it may deem expedient.

Upon the effective date of any such assumption, extinguishment and substitution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee and any Paying Agents shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Resolution which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption.

**Accounts and Reports**

The Issuer shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all its transactions relating to all Funds and accounts established by the Resolution which shall at all reasonable times be subject to the inspection of the Holders of an aggregate of not less than twenty-five per cent (25%) in the principal amount of the Bonds then Outstanding or their representatives duly authorized in writing. The Issuer may authorize or permit the Trustee or its duly authorized agents to keep any or all of such books on behalf of the Issuer.

(Section A-613)

**Tax Covenants**

The Issuer shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds issued as Tax-Exempt Bonds shall be not included in the gross income of the owners thereof for purposes of federal income taxation.

Notwithstanding the foregoing, the Issuer reserves the right, in a Supplemental Resolution authorizing the issuance of obligations, to elect to issue Taxable Bonds.

(Section A-614)

**General**

The Issuer shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Issuer under the provisions of the Acts and the Resolution in accordance with the terms of such provisions.

Upon the date of issuance of any of the Bonds, all conditions, acts and things required by the Constitution and statutes of the State, including the Acts and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds, shall exist, have happened and have been performed and the issue of such Bonds, together with all other indebtedness of the Issuer, shall be within every debt and other limit prescribed by the laws of the State.

(Section A-615)

**Notice as to Event of Default**

The Issuer shall notify the Director of the Budget, the Comptroller, each issuer of a Credit Facility and the Trustee in writing that an "Event of Default," as such term is defined in the Standard Resolution Provisions, has occurred and is continuing, which notice shall be given within thirty (30) days after the Issuer has obtained actual knowledge thereof; *provided*, *however*, that the Issuer shall provide each of the foregoing with immediate notice of any payment default after the Issuer has obtained actual knowledge thereof.

(Section A-616)

**Other Bonds Authorized by the Enabling Act**

The Bonds authorized by the Resolution are authorized by the Enabling Act. All bonds issued pursuant to the Enabling Act, whenever issued and by whichever Authorized Issuer, have equal claim to all moneys available subject to appropriation from the Revenue Bond Tax Fund pursuant to the Enabling Act, and further subject to provisions in the Resolution or other such resolutions authorizing such bonds relating to subordination.

(Section A-617)

**Investment of Funds**

Amounts in the Funds and accounts established by Section 502 of the Resolution may be invested only in Investment Obligations. The Trustee shall make such investments in any Funds or accounts held by the Trustee in accordance with any instructions received from an Authorized Officer of the Issuer. Except as otherwise provided in the resolution authorizing any series of Bond Anticipation Notes, interest earned by the investment of moneys in each Fund or account under the Resolution shall be held, deposited or transferred in accordance with the Standard Resolution Provisions. The Trustee shall have no obligation to invest or reinvest amounts as contemplated by the Resolution except upon the direction of an Authorized Officer of the Issuer as to specific investments. Any such direction, if not in writing, shall be promptly confirmed in writing.

Investment Obligations on deposit in the Funds and accounts held under the Standard Resolution Provisions shall have maturity dates, or shall be subject to redemption or tender at the option of the Issuer or the Trustee on the respective dates specified by an Authorized Officer of the Issuer, as appropriate, which dates shall be on or prior to the respective dates on which the moneys invested therein are expected to be paid for the purposes of such Funds and accounts. The Issuer, or the Trustee, upon the instructions of an Authorized Officer of the Issuer, shall sell any Investment Obligations held in any Fund or account to the extent required for payments from such Fund or account. The proceeds of such sales, and of all payments at maturity or upon redemption of such investments, shall be held in the applicable Fund or account to the extent required to meet the requirements of such Fund or account. Losses, if any, realized on Investment Obligations held in any Fund or account shall be debited to such Fund or account. In computing the amount of such Funds and accounts, investments shall be valued at par, or if purchased at other than par, shall be valued at Amortized Value, plus accrued interest. Accrued interest received upon the sale of any Investment Obligation to the extent such amount exceeds any accrued interest paid on the purchase of such Investment Obligation shall be treated as interest earned on such Investment Obligation for purposes of the Standard Resolution Provisions.

Nothing in the Resolution shall prevent any Investment Obligations acquired as investments of or security for any Fund, account or subaccount held under the Resolution from being held in book-entry form.

(Section A-701)

**Trustee; Appointment and Acceptance of Duties**

The Trustee shall be appointed in the Supplemental Resolution authorizing the issuance of the first Series of Bonds under the Resolution. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by written instrument of acceptance delivered to the Issuer.

(Section A-801)

**Paying Agents; Appointment and Acceptance of Duties**

The Issuer may, in its discretion, appoint one or more Paying Agents for the Bonds of any Series in the Supplemental Resolution authorizing such Bonds at least one of which shall have an office for the transaction of business in the State, and may at any time or from time to time appoint one or more other Paying Agents in the manner and subject to the conditions set forth in the Standard Resolution Provisions for the appointment of a successor Paying Agent.

Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by executing and delivering to the Issuer a written acceptance thereof.

The principal offices of the Paying Agents are designated as the respective offices or agencies of the Issuer for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds.

(Section A-802)

**Responsibilities of Fiduciaries**

The recitals of fact in the Standard Resolution Provisions and in the Bonds shall be taken as the statements of the Issuer and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Resolution or of any Bonds issued thereunder or in respect of the security afforded by the Resolution, and no Fiduciary shall incur any responsibility in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to (i) the issuance of the Bonds for value, (ii) the application of the proceeds thereof except to the extent the proceeds are received by it in its capacity as Fiduciary, or (iii) the application of any moneys paid to the Issuer or others in accordance with the Resolution except as to the application of any moneys paid to it in its capacity as Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties under the Resolution except for its own negligence or willful misconduct. Subject to the foregoing, the Issuer may designate any Fiduciary to undertake any duty in the Resolution of the Issuer with respect to collection, accounting, review of and notice for any consents required thereunder.

(Section A-803)

**Evidence on Which Fiduciaries May Act**

Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document believed by it in good faith to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Issuer, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Resolution in good faith and in accordance therewith.

Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the Issuer. Such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Resolution upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

Except as otherwise expressly provided in the Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Issuer to any Fiduciary shall be sufficiently executed if executed in the name of the Issuer by an Authorized Officer.

(Section A-804)

**Compensation**

The Issuer shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Resolution. The Issuer further agrees to the extent permitted by law to indemnify and save each such Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Resolution, and which are not due to its negligence or willful misconduct. The Issuer's obligation to make any payment pursuant to the Standard Resolution Provisions shall be limited to payment from amounts made available therefor pursuant to the Financing Agreements.

(Section A-805)

**Certain Permitted Acts**

Any Fiduciary may become the owner of or deal in any Bonds as fully with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as Securities Depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Resolution, whether or not any such committee shall represent the Holders of a majority in aggregate principal amount of the Bonds then Outstanding in respect of which any such action is taken.

(Section A-806)

**Resignation of Trustee**

The Trustee may at any time resign and be discharged of its duties and obligations created by the Resolution by giving not less than sixty (60) days' written notice to the Issuer, specifying the date when such resignation shall take effect, and mailing notice thereof, to the Holders of all Bonds then Outstanding, and such resignation shall take effect on the day specified in such notice unless previously a successor shall have been appointed as provided in the Resolution, in which event such resignation shall take effect immediately upon the appointment of such successor; *provided*, *however*, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee.

(Section A-807)

**Removal of Trustee**

The Issuer may at any time remove the Trustee initially appointed or any successor thereto by written notice of such removal mailed by first class mail to the Trustee except that the Trustee may not be removed by the Issuer during the pendency of an Event of Default; *provided*, *however*, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee. Notice of the removal of the Trustee shall be mailed by first class mail to the registered Holders of all Bonds then Outstanding at least 30 days prior to such removal.

(Section A-808)

**Appointment of Successor Trustee**

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Issuer shall appoint a successor Trustee. The Issuer shall cause notice of any such appointment to be mailed to all Holders of Bonds then Outstanding.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of the Standard Resolution Provisions within 30 days after the Trustee shall have given to the Issuer written notice as provided in the Standard Resolution Provisions or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any Trustee appointed under the provisions of the Standard Resolution Provisions in succession to the Trustee shall be a bank or trust company organized under the laws of the State of New York or a national banking association and having Fiduciary Capital Funds of at least $100,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-809)

**Transfer of Rights and Property to Successor Trustee**

Any successor Trustee appointed under the Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Issuer, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Issuer, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under the Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Resolution. Should any deed, conveyance or instrument in writing from the Issuer be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers, and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Issuer. Any such successor Trustee shall promptly notify the Paying Agents, if any, of its appointment as Trustee.

(Section A-810)

**Merger or Consolidation**

Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which such Fiduciary may sell or transfer all or substantially all of its business, or all of its non-private trust administration business, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act; *provided* such company shall be a bank having trust powers or a trust company organized under the laws of the State or a national banking association and shall, if it previously had not had such an office, have an office for the transaction of its business in the State, and shall be authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-811)

**Resignation or Removal of Paying Agent and Appointment of Successor**

Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least sixty (60) days' written notice to the Issuer and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and signed by the Issuer. Any successor Paying Agent may be appointed by the Issuer and (subject to the requirements of the Standard Resolution Provisions) shall be a bank having trust powers or trust company in good standing organized under the laws of any state of the United States of America or a national banking association, duly authorized to exercise trust powers and subject to examination by federal or state Corporation, having Fiduciary Capital Funds of at least $100,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor or if there shall be no successor, to the Issuer. In the event that for any reason there shall be a vacancy in the office of Paying Agent, the Issuer shall act as such Paying Agent.

(Section A-812)

**Adoption and Filing**

The Issuer may adopt at any time or from time to time a Supplemental Resolution to authorize the issue of the initial Series of Bonds and of additional Series of Bonds and the incurrence of Parity Reimbursement Obligation as provided in the Standard Resolution Provisions and to prescribe the terms and conditions thereof and any additional terms and conditions upon which such Bonds may be issued and Parity Reimbursement Obligation may be incurred.

(Section A-901)

**Supplemental Resolutions Effective Upon Adoption**

Notwithstanding any other provisions of the Standard Resolution Provisions, the Issuer may adopt, for any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution which, upon adoption thereof and filing with the Trustee shall be fully effective in accordance with its terms:

To close the Resolution against, or provide limitations and restrictions contained in the Resolution on, the authentication or execution and delivery on original issuance of Bonds or the issuance of other evidences of indebtedness;

To add to the covenants and agreements of the Issuer contained in the Resolution other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;

To add to the limitations or restrictions in the Resolution other limitations or restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;

To surrender any right, power or privilege reserved to or conferred upon the Issuer by the Resolution, *provided* that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Issuer contained in the Resolution;

To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by, the Resolution, or any Supplemental Resolution of the Pledged Property, including the Revenues or the Funds, and other moneys and securities;

To modify any of the provisions of the Resolution in any respect whatever, *provided* that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered on original issuance after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;

To add to the Resolution any provisions required by law to preserve the exclusion from gross income for federal income tax purposes of interest received on Tax-Exempt Bonds then Outstanding or to be issued or the exemption of interest received on any Bonds from State income taxation;

To modify, amend or supplement the Resolution in any manner in order to provide for a Credit Facility, Qualified Swap or other similar arrangement with respect to any Series of Bonds, under the Resolution, so long as the Issuer determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution, so long as the Issuer determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect;

To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in the Standard Resolution Provisions and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

To authorize Subordinated Indebtedness and, in connection therewith, specify and determine (or provide procedures for an Authorized Officer of the Issuer to specify or determine) the matters and things required or permitted by Article V of the Resolution in connection therewith, and also any other matters and things relative to such Subordinated Indebtedness which are not contrary to or inconsistent with the Standard Resolution Provisions as then in effect, or at any time to amend, rescind or limit any authorization for any such Subordinated Indebtedness theretofore authorized but not issued or entered into; and in connection with the authorization of Subordinated Indebtedness, any such Supplemental Resolution may include provisions for the availability, transferability, use or application of amounts available to pay Subordinated Indebtedness in the Subordinated Payment Fund and any other funds, accounts or subaccounts created for the benefit of such Subordinated Indebtedness;

To provide, with prior written notice to each Rating Agency, for additional Investment Obligations that may be designated as Government Obligations consistent with clause (f) of the definition of Government Obligations;

Notwithstanding the Standard Resolution Provisions, to the extent authorized by law and to the extent the Issuer shall have received a Counsel's Opinion that it will not adversely affect the exclusion of interest from the income of Holders of Bonds for federal income tax purposes for any Tax-Exempt Bonds, to provide for the delivery of Bonds that are not in registered form;

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

Notwithstanding the terms and provisions of the Standard Resolution Provisions, to the extent authorized by law and to the extent that it will not adversely affect the exclusion of interest from the income of Holders of Bonds for federal income tax purposes for any Bonds issued on a tax-exempt basis, to provide for the delivery of a Series of Bonds or a portion of a Series of Bonds incorporating detachable call options;

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

To make any other modification or amendment of the Resolution which the Issuer shall in its sole discretion determine will not have a material adverse effect on the interests of the Holders of Outstanding Bonds or Parity Reimbursement Obligations.

In making any determination under the preceding paragraph, the Issuer may consult with and rely upon an Opinion of Counsel or opinions of other experts or professionals.

(Section A-902)

**Supplemental Resolutions Effective with Consent of Trustee**

Notwithstanding any other provision of the Standard Resolution Provisions, the Issuer may adopt a Supplemental Resolution amending any provision of the Standard Resolution Provisions, effective upon filing with the Issuer of a written determination of the Trustee and a Counsel's Opinion that such amendment will not materially adversely affect the rights of any Holder of Bonds.

(Section A-903)

**Supplemental Resolutions Effective with Consent of Bondholders**

Except as permitted in the Standard Resolution Provisions, at any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders, and in accordance with the provisions of the Standard Resolution Provisions, which Supplemental Resolution, upon adoption and upon compliance with the Standard Resolution Provisions shall become fully effective in accordance with its terms as provided in the Standard Resolution Provisions.

(Section A-904)

**General Provisions**

Nothing contained in the Standard Resolution Provisions shall affect or limit the right or obligation of the Issuer to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of the Standard Resolution Provisions or the right or obligation of the Issuer to execute and deliver to the Trustee any instrument which elsewhere in the Resolution it is provided shall be so delivered.

Any Supplemental Resolution referred to and permitted or authorized by the Standard Resolution Provisions may be adopted by the Issuer without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Standard Resolution Provisions. Every Supplemental Resolution adopted by the Issuer shall be (i) subject to the written approval of the Director of Budget, and (ii) the subject of a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Issuer and enforceable in accordance with its terms. The Trustee shall be entitled to rely upon such opinion, which shall be conclusive evidence that such Supplemental Resolution is authorized or permitted by the Standard Resolution Provisions.

The Trustee is thereby authorized to accept delivery of a certified copy of any Supplemental Resolution permitted or authorized pursuant to the Standard Resolution Provisions and to make all further agreements and stipulations which may be contained in the Resolution, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Supplemental Resolution is authorized or permitted by the Standard Resolution Provisions.

No Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent shall become effective without the written consent of the Trustee or Paying Agent affected thereby.

(Section A-905)

**Mailing and Publication**

Any provision in the Standard Resolution Provisions relating to the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid to each Bondholder of any affected Bonds then Outstanding at such Bondholder's address, if any, appearing upon the registry books of the Issuer and to the Trustee; or, in each case, to such parties by facsimile or other means to the extent permitted by applicable law and arrangements.

Any provision in the Standard Resolution Provisions for publication of a notice or other matter shall require the publication thereof only in an Authorized Newspaper.

(Section A-1001)

**Powers of Amendment**

Any modification or amendment of the Resolution and of the rights and obligations of the Issuer and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Standard Resolution Provisions, (a) by the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (b) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, by the Holders of at least a majority in principal amount of the Bonds so affected and Outstanding at the time such consent is given; *provided*, *however*, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Standard Resolution Provisions. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holders of such Bonds, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. For the purposes of the Standard Resolution Provisions, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same materially adversely affects or diminishes the right, security and interest of the Holders of Bonds of such Series. The Issuer may in its discretion determine whether or not in accordance with the foregoing, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on all Holders of Bonds. The Issuer shall, prior to making any such determination, receive a Counsel's Opinion as conclusive evidence as to whether the Bonds of a Series or maturity would be so affected by any such modification or amendment thereof. Notwithstanding anything in the Standard Resolution Provisions or the Resolution to the contrary, the consent of Holders of any Series of Additional Bonds to be issued under the Resolution shall be deemed given if the underwriters or initial purchasers for resale thereof consent in writing to any modification or amendment effected thereby, and such modification or amendment, as well as such consent, is disclosed in the official statement or other offering document pursuant to which such Series of additional Bonds is offered and sold.

(Section A-1002)

**Consent of Bondholders**

The Issuer may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Standard Resolution Provisions, to take effect when and as provided in the Standard Resolution Provisions. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders for their consent thereto, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in the Standard Resolution Provisions). Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Issuer (i) the written consent of Holders of the percentages of Outstanding Bonds specified in the Standard Resolution Provisions, and (ii) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by the Issuer in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Issuer and enforceable in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the holding or owning, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Standard Resolution Provisions. A certificate or certificates by an Authorized Officer of the Issuer filed with the Issuer that he or she has examined such proof and that such proof is sufficient in accordance with the Standard Resolution Provisions shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such Authorized Officer of the Issuer. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the Standard Resolution Provisions to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when the written statement of the Issuer in the Standard Resolution Provisions provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Issuer on a stated date, a copy of which is on file with the Issuer) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in the Standard Resolution Provisions, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as is provided in the Standard Resolution Provisions) and, in the sole discretion of the Issuer, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Issuer provided for in the Resolution is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming binding as is provided in the Standard Resolution Provisions). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by the Standard Resolution Provisions to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Issuer, the Trustee, or the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such

Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; *provided*, *however*, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as it may deem expedient.

For the purpose of the Standard Resolution Provisions, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase, may consent to a modification or amendment permitted by the Standard Resolution Provisions in the manner provided therein, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; *provided*, *however*, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series by the Issuer or with the remarketing of the Bonds.

(Section A-1003)

**Modifications by Unanimous Consent**

The terms and provisions of the Resolution and the rights and obligations of the Issuer and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the Issuer of a Supplemental Resolution and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Standard Resolution Provisions except that no notice to Bondholders either by mailing or publication shall be required; *provided*, *however*, that no such modification or amendment shall change or modify any of the rights or obligations of the Trustee without the filing with the Issuer of the written assent thereto of the Trustee in addition to the consent of the Bondholders.

(Section A-1004)

**Exclusion of Bonds**

Bonds owned or held by or for the account of the Issuer shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Standard Resolution Provisions, and the Issuer shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Resolution. At the time of any consent or other action taken under the Standard Resolution Provisions, the Issuer shall file with its records relating to the Bonds a certificate of an Authorized Officer of the Issuer describing all Bonds so to be excluded.

(Section A-1005)

**Notation on Bonds**

Bonds delivered after the effective date of any action taken as provided in the Standard Resolution Provisions may, and, if the Issuer so determines, shall, bear a notation by endorsement or otherwise in form approved by the Issuer and Trustee as to such action, and in that event upon demand of the Holder of any Bond Outstanding at such effective date and presentation to the Issuer of his or her Bond for such purpose, suitable notation shall be made on such Bond by the Issuer as to any such action. If the Issuer and Trustee shall so determine, new Bonds so modified as, in the opinion of the Issuer and Trustee conform to such action shall be prepared and delivered, and upon demand of the Holder of any

Bond then Outstanding, shall be exchanged, without cost to such Bondholder, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds.

(Section A-1006)

**Events of Default**

The occurrence of one or more of the following events shall constitute an "Event of Default":

(a) payment of principal, Sinking Fund Installments, interest or premium on any Bond shall not be made when the same shall have become due, whether at maturity or upon call for redemption or otherwise, which default shall continue for a period of ten (10) business days; or

(b) in connection with financings for any Authorized Purpose authorized by Section 68-b, the Director of the Budget shall fail or refuse to comply with the provisions of subdivision 5(b) of Section 92-z and such failure or refusal shall continue for a period of thirty (30) days; or

(c) the Comptroller shall fail to pay to any Authorized Issuer from an appropriation, as and when provided by subdivision 3 of Section 68-c in accordance with a Financing Agreement, any amount as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-z, which default shall continue for a period of ten (10) business days; or

(d) the Governor shall fail or refuse to include in the appropriation bills required to be submitted by the Governor pursuant to Section 24 of the State Finance Law appropriations sufficient to pay any and all amounts as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-z, in connection with financings for any Authorized Purpose authorized by Section 68-b, and such failure or refusal shall continue for thirty (30) days from and after the date on which such bills are required to be submitted; or

(e) the State shall have enacted a moratorium or other similar law affecting payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 68-b; or

(f) the State or any officer of the State shall fail or refuse to comply with any of the provisions of Section 68-c or Section 92-z, either case relating to security for or payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 68-b; or

(g) failure by the Issuer to observe any of the covenants, agreements or conditions on its part contained in the Resolution or in the Bonds, and failure to remedy the same for a period of thirty (30) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Issuer by the Trustee or to the Issuer and the Trustee by the Holders of not less than a majority in aggregate principal amount of Bonds at the time Outstanding; *provided* that, if such default cannot be corrected within such thirty (30)-day period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer within such period and is diligently pursued until the default is corrected.

Except as provided above or, to the extent permitted by the Standard Resolution Provisions, in a Supplemental Resolution, no default under the Acts or any resolution, agreement, or other instrument shall constitute or give rise to an Event of Default under the Resolution.

It is expressly understood that nothing in the Standard Resolution Provisions or elsewhere in the Resolution may be construed to restrict the right of the State under subdivision 5 of Section 68-c to amend, repeal, modify or otherwise alter statutes imposing or relating to any taxes or the sources of any other funds, including the taxes or the sources of any other funds to be deposited into the Revenue Bond Tax Fund without giving rise to an Event of Default under the Resolution.

(Section A-1101)

**Remedies**

Upon the occurrence and continuance of any Event of Default specified in the Standard Resolution Provisions, the Trustee shall, and upon the occurrence and continuance of any other Event of Default specified in the Standard Resolution Provisions, the Trustee may, and upon written request of the Holders of not less than a majority in aggregate principal amount of such Bonds then Outstanding, shall:

(a) by mandamus or other suit, action or proceeding at law or in equity enforce all rights of the Holders of Bonds under the Resolution;

(b) bring suit upon such Bonds;

(c) by action or suit in equity, require the Issuer to account as if it were the trustee of an express trust for the Holders of such Bonds; or

(d) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of such Bonds.

The Trustee shall in addition to the foregoing have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incident to the general representation of the Holders of the Bonds in the enforcement and protection of their rights.

The Supreme Court of the State shall have jurisdiction of any suit, action or proceeding by the Trustee on behalf of the Holders of Bonds, and venue of any such suit, action or proceeding shall be laid in the County of Albany.

No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the Holders of the Bonds is intended to be exclusive of any other remedy but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or in equity or by statute on or after the date of adoption of the Standard Resolution Provisions, except that the rights of Bondholders pursuant to subdivision 2(g) of Section 68-b as in effect on the date of adoption of the Standard Resolution Provisions are abrogated. It is further expressly understood that the Resolution does not permit the Trustee or the Holders of the Bonds to declare the Bonds to be immediately due and payable.

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the Resolution, or any other remedy under the Resolution or under the Bonds, unless such Holder previously shall have given to the Trustee written notice of an Event of Default as provided in the Resolution and unless also the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee so to do, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers therein above granted, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Resolution, or to enforce any right under the Resolution or under the Bonds, except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all Holders of Outstanding Bonds, subject, however, to the Standard Resolution Provisions. Nothing in the Resolution or in the Bonds contained shall affect or impair the right of action, which is also absolute and unconditional, of any Holder of any Bond to enforce payment of the principal of and premium, if any, and interest on such Bond at the respective dates of maturity of each of the foregoing and at the places therein expressed.

All rights of action under the Resolution or under any of the Bonds which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof on the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name, as trustee, for the equal and ratable benefit of the Holders of the Bonds, subject to the provisions of the Resolution.

No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by the Standard Resolution Provisions to the Trustee and to the Holders of the Bonds, respectively, may be exercised from time to time as often as may be deemed expedient.

(Section A-1102)

**Priority of Payments After Default**

In the event that the funds held by the Issuer, the Trustee or by the Paying Agents shall be insufficient for the payment of principal, Sinking Fund Installments, if any, or Redemption Price of and interest then due on the Bonds and for payments then due with respect to Parity Reimbursement Obligations, such funds (other than funds held for the payment of particular Bonds which have theretofore become due at maturity or by call for redemption and funds which at the time of their deposit into any Fund or account under the Resolution have been designated to be applied solely to the payment of the principal of and premium, if any, and interest on any series of Bond Anticipation Notes) and any other moneys received or collected by the Trustee or any Paying Agents, after making provision for the payment of any expenses necessary in the opinion of the Trustee to preserve the continuity of the Revenues, or otherwise protect the interests of the Holders of the Bonds, and after making provision for the payment of the reasonable charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their duties under the Resolution, shall be applied as follows:

> FIRST: To the payment to the Persons entitled thereto of all installments of interest then due with respect to Bonds or Parity Reimbursement Obligations in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference, except as to the difference in the respective rates of interest specified in such Bonds and Parity Reimbursement Obligations; and

SECOND: To the payment to the Persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds or Parity Reimbursement Obligations which shall have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

The provisions of this section are in all respects subject to the provisions of the section on Extension of Payment of Bonds in the Standard Resolution Provisions.

If and when all overdue installments of interest on all Bonds and Parity Reimbursement Obligations, together with the reasonable and proper charges and expenses of the Trustee, and all other sums payable by the Issuer under the Standard Resolution Provisions, including the principal and Redemption Price of and accrued unpaid interest on all Bonds and Parity Reimbursement Obligations which shall then be payable, shall either be paid by or for the account of the Issuer, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Standard Resolution Provisions or the Bonds or Parity Reimbursement Obligations shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Issuer all such Pledged Property then remaining unexpended in the hands of the Trustee (except Pledged Property deposited or pledged, or required by the terms of the Standard Resolution Provisions to be deposited or pledged, with the Trustee), and thereupon the Issuer and the Trustee shall be restored, respectively, to their former positions and rights. No such payment to the Issuer by the Trustee or resumption of the application of Pledged Property as provided in Article V of the Resolution shall extend to or affect any subsequent default under the Standard Resolution Provisions or impair any right consequent thereon.

(Section A-1103)

**Defeasance**

If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds then Outstanding, the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee and any Paying Agents, if any, shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Standard Resolution Provisions which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption or required for payments to Fiduciaries pursuant to the Standard Resolution Provisions thereof.

Bonds, or portions of Bonds, for the payment or redemption of which moneys shall have been set aside and shall be held by the Trustee (through deposit by the Issuer of funds for such payment or otherwise) at the maturity date or Redemption Date of such Bonds shall be deemed to have been paid within the meaning of the Standard Resolution Provisions. Any Bonds, or portions of Bonds, of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the Standard Resolution Provisions if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide to Holders in accordance with the Standard

Resolution Provisions notice of redemption on said date or dates of such Bonds, (b) there shall have been irrevocably deposited by the Issuer with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited by the Issuer with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date as the case may be, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall (i) publish, as soon as practicable, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds, and (ii) mail by registered or certified mail, postage prepaid, a notice to the Holders of such Bonds, in each case that the deposit required by (c) above has been made and that said Bonds are deemed to have been paid in accordance with the Standard Resolution Provisions and stating such maturity date or Redemption Date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, on said Bonds. The Trustee shall, at the discretion of the Issuer, select the Bonds of a Series and the maturity or portion of a maturity thereof shall be paid in accordance with the Standard Resolution Provisions in the manner further provided in the Standard Resolution Provisions thereof. Neither Government Obligations or moneys deposited pursuant to the Standard Resolution Provisions nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest on said Bonds; *provided* that any moneys received from such principal or interest payments on such Government Obligations so deposited, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such Redemption Date, payment date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited shall, to the extent in excess of the amounts required in the Resolution to pay principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be applied as follows: first to the Rebate Fund, the amount, if any, required to be deposited therein; and, then the balance thereof to the Issuer, and any such moneys so paid shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution. Prior to applying any such excess amounts pursuant to this paragraph or the following paragraph, the Issuer shall obtain written confirmation from an independent certified public accountant that the amounts remaining on deposit and held in trust are sufficient to pay the obligations set forth above.

For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Government Obligations and moneys, if any, in accordance with the second sentence of the preceding paragraph, the interest to come due on such Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; *provided*, *however*, that if on any date, as a result of such Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys, Government Obligations on deposit with the Trustee for the payment of interest on such Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Bonds in order to satisfy the second sentence of the preceding paragraph, the Trustee shall, if requested, by the Issuer, pay the amount of such excess to the Issuer free and clear of any trust, pledge, lien, encumbrance or security interest securing the Bonds or otherwise existing under the Resolution.

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable either at their stated maturity dates or earlier

Redemption Dates or for two (2) years after the date of deposit of such moneys if deposited with the Trustee, after the said date when such Bonds became due and payable, shall, at the written request of the Issuer, be repaid by the Trustee to the Issuer, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Issuer for the payment of such Bonds. Before being required to make any such payment to the Issuer, the Trustee shall, at the expense of the Issuer, (i) cause to be published at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, and (ii) cause to be mailed postage prepaid to each registered owner of Bonds then Outstanding at his or her address, if any, appearing upon the registry books of the Issuer, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication or mailing of such notice, the balance of such moneys then unclaimed will be returned to the Issuer.

(Section A-1104)

**Certain Provisions Relating to Economic Defeasance**

Any Bonds of any Series for which prior to the maturity or Redemption Date thereof, the Issuer shall have given to the Trustee or other fiduciary selected by the Issuer in form satisfactory to it irrevocable instructions to maintain on deposit in a Fund or account held by the Trustee or other fiduciary selected by the Issuer established for such purpose for the benefit of the Holders of such Bonds, Investment Obligations, other than Government Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee or other fiduciary selected by the Issuer at the same time, as verified in the report of a firm of certified public accountants, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date as the case may be, shall not be counted as Outstanding under the Standard Resolution Provisions solely for the purpose of the calculation of Calculated Debt Service required under the Standard Resolution Provisions.

(Section A-1105)

**Evidence of Signatures of Bondholders and Ownership of Bonds**

Any request, consent, revocation of consent or other instrument which the Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds, shall be sufficient for any purpose of the Resolution (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Issuer, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Issuer or any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice-president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary.

The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books. Any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Issuer, the Trustee or any Paying Agent in accordance therewith except as otherwise provided in the Standard Resolution Provisions.

(Section A-1201)

**Moneys Held for Particular Bonds**

The amounts held by the Trustee or any Paying Agent for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto and for the purposes thereof such principal, Sinking Fund Installments, if any, or Redemption Price of and interest on such Bonds, due after such date thereof, consistent with the provisions of the Standard Resolution Provisions, shall no longer be deemed to be Outstanding.

(Section A-1301)

**General Regulations as to Moneys and Funds**

Each of the Funds and Accounts established by the Resolution shall be a trust fund for the purposes thereof.

All amounts of the Issuer held or set aside under the Resolution shall, until paid over to the Fiduciaries or otherwise invested or applied as provided in the Resolution, be deposited by the Issuer in its name, on demand or time deposit, in such Banks as shall be selected by the Issuer. Any amounts held by any Fiduciary under the Resolution shall be deposited in such Banks as the Issuer may select. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks on such deposit with the same force and effect as if it were not such Fiduciary, and without any duty to inquire into whether any withdrawals of such funds are in accordance with or might violate any of the provisions of the Resolution. Such deposits shall be continuously secured by the obligations of the United States of America or of the State, which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits, which obligations shall be segregated in trust for the account of the Issuer, or shall be otherwise held as the Issuer and the depository may agree. Securities deposited with the Federal Reserve Bank to secure all trust accounts of a depository shall be deemed to comply with the foregoing requirement.

Unless otherwise specified in a Supplemental Resolution authorizing the issuance of Bonds, all money held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Issuer and acceptable to such Fiduciary, on time deposit, and all such deposits shall be continuously secured by the obligations of the United States of America or of the State which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits. Securities deposited with the Federal Reserve Bank to secure all trust accounts of the Fiduciary shall be deemed to comply with the foregoing requirement. Such Fiduciary shall allow and credit on such money such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

(Section A-1302)

**Preservation and Inspection of Documents**

All documents received by the Trustee or any Paying Agent under the provisions of the Resolution or any Supplemental Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Issuer, the Trustee or any other Paying Agent, as applicable, and any Bondholder and their agents and their representatives; *provided*, *however*, that with respect to inspection by a Holder of a Bond of any Series a written request of such Bondholder must have been made and received by the Trustee at least five (5) business days prior to the date of inspection. The Issuer or its representatives may make copies of any such documents.

(Section A-1303)

**Parties of Interest**

Nothing in the Resolution or in any Supplemental Resolution, expressed or implied, is intended or shall be construed to confer upon, or give to, any person or party, other than the Issuer, the Trustee, any Paying Agent, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities any right, remedy or claim under or by reason of the Resolution or any Supplemental Resolution or any covenant, condition or stipulation thereof; and all of the covenants, stipulations, promises and agreements in the Resolution or any Supplemental Resolution contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Trustee, the Paying Agents, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities.

(Section A-1304)

**No Recourse Under Resolution or on the Bonds**

All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, officer or employee of the Issuer in his or her individual capacity, and no recourse shall be had for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price or interest on the Bonds or for any claim based thereon or on the Resolution against any member, officer or employee of the Issuer or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Holder of a Bond by the acceptance of such Bonds.

(Section A-1305)

**Publication of Notices**

Any publication to be made under the provisions of the Resolution in successive weeks or on successive dates may be made in each instance upon any Business Day of the week and need not be made in the same Authorized Newspaper for any or all of the successive publications but may be made in different Authorized Newspapers.

(Section A-1306)

**Successors and Assigns**

Whenever in the Resolution the Issuer is named or referred to, it shall be deemed to include its successors and assigns and all the covenants and agreements in the Resolution contained by or on behalf of the Issuer shall bind and inure to the benefit of its successors and assigns whether so expressed or not.

(Section A-1307)

**Severability of Invalid Provisions**

If any one or more of the covenants, stipulations, promises, agreements or obligations provided in the Resolution on the part of the Issuer, the Trustee or any Paying Agent to be performed should be determined by a court of final jurisdiction to be contrary to law, then such covenant or covenants, stipulation or stipulations, agreement or agreements or obligation or obligations shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations contained in the Resolution and shall in no way affect the validity of the other provisions of the Resolution.

(Section A-1308)

**Other Resolutions**

The Issuer expressly reserves the right to adopt one or more other bond resolutions and to issue bonds, bond anticipation notes, notes and other obligations thereunder without compliance with and not subject to the Standard Resolution Provisions.

(Section A-1309)

**Survival of Particular Covenants**

Notwithstanding that Bonds may no longer be Outstanding, the obligations of the Issuer (i) to pay amounts to any Fiduciary pursuant to the Standard Resolution Provisions shall remain in full force and effect until all such amounts are paid and (ii) to comply with the provisions of Section 505 of the Resolution in connection with any Tax-Exempt Bonds, with respect to the rebate to the Department of the Treasury of the United States of America of any Rebate Amount relating to the Bonds of a Series shall remain in full force and effect so long as the Issuer shall be required by the Code to rebate any such Rebate Amount.

(Section A-1310)

**Actions by the Issuer**

Any time the Issuer is permitted or directed to act pursuant to the Standard Resolution Provisions or a Supplemental Resolution, such action may be taken by an Authorized Officer of the Issuer except that the following actions may only be taken by resolution of the members of the Issuer: authorization and issuance of Bonds; adoption of resolutions; and modifications and amendments pursuant to the Standard Resolution Provisions. Any certificates of the Issuer to be delivered under the Resolution shall be executed by an Authorized Officer of the Issuer.

(Section A-1311)

**Governing Laws**

The Resolution, including the Standard Resolution Provisions, shall be governed by and interpreted in accordance with internal laws of the State, without regard to conflict of law principles thereof.

(Section A-1312)

**Payments due on Other Than a Business Day**

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be on a day that is not a Business Day, then payment of interest or principal and premium, if any, need not be made on such date but may be made (unless otherwise provided in a Supplemental Resolution without additional interest) on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, as the case may be.

(Section A-1313)

**Effective Date**

The Resolution shall take effect immediately.

(Section A-1314)

**APPENDIX C**

**CONFORMED COPY OF FINANCING AGREEMENTS**

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## APPENDIX C-I

## CONFORMED COPY OF FINANCING AGREEMENT

## (ECONOMIC DEVELOPMENT AND HOUSING)

STATE PERSONAL INCOME TAX REVENUE BONDS (ECONOMIC DEVELOPMENT AND HOUSING) FINANCING AGREEMENT (the "Financing Agreement"), dated as of March 1, 2003, by and between the Dormitory Authority of the State of New York, a corporate governmental agency of the State of New York (the "Issuer"), and the State of New York (the "State"), acting by and through the Director of the Budget of the State (the "Director of the Budget").

WHEREAS, the Issuer has, pursuant to the Dormitory Authority of the State of New York Act, constituting Title 4 of Article 8 of the Public Authorities Law, as amended and supplemented, together with any other provisions of State law relating to the authorization or financing of Costs of a Project, (the "Issuer Act") and Article 5-C of the State Finance Law, as may be hereafter amended from time to time (the "Enabling Act", which together with the Issuer Act is referred to herein as the "Acts"), adopted its State Personal Income Tax Revenue Bonds (Economic Development and Housing) General Bond Resolution on January 22, 2003 (including Annex A thereto, as amended and supplemented), and various Supplemental Resolutions (collectively, the "Resolution") for the purpose of issuing from time to time one or more series of bonds (the "Bonds"), notes or other obligations to be secured by this Financing Agreement, as may be amended or supplemented from time to time, with the State; and

WHEREAS, in order to assist the Issuer in the financing of one or more authorized purposes as provided in the Enabling Act ("Authorized Purposes") pursuant to applicable law and in consideration of the benefits to be derived therefrom by the people of the State, the Director of the Budget, acting on behalf of the State, is authorized to enter into one or more Financing Agreements with the Issuer whereunder the State agrees, subject to the making of annual appropriations therefor by the State Legislature, to make annual payments to the Issuer, and authorize the Issuer to pledge and assign the State payments to be made as security for Bonds or other obligations which the Issuer may issue or incur in order to finance Authorized Purposes; and

WHEREAS, the State and the Issuer agree that their mutual public purposes and their best interests will be promoted by the execution of this Financing Agreement, as the same may be modified, supplemented or amended from time to time; and

WHEREAS, the Issuer Board authorized its Authorized Officer to enter into, execute and amend this Financing Agreement;

NOW, THEREFORE, the parties mutually agree as follows:

### I. ISSUANCE OF BONDS BY THE ISSUER

1.1 The State agrees that the Issuer may, subject to the provisions of this Financing Agreement and the Acts, issue one or more Series of its State Personal Income Tax Revenue Bonds (Economic Development and Housing), secured by this Financing Agreement and the payments to be made by the State as herein provided. The Bonds shall be issued in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to fund Authorized Purposes having a cost not in excess of the amount specified by applicable law. The State recognizes that in order to realize net proceeds in the aforesaid amounts from the sale of Bonds, the Issuer may also issue Bonds in amounts sufficient to pay Costs of Issuance, and the amount of capitalized interest, if any, included in the issuance and sale of the Bonds.

1.2 The Bonds issued by the Issuer pursuant to the provisions of Section 1.1 hereof shall be subject to the following conditions and limitations:

(a) The Resolution shall have been approved by the Issuer Board in accordance with the Acts.

(b) Unless the Issuer and the State shall otherwise agree (and any such agreement may include, among other things, the agreement of the State to pay or to reimburse the Issuer in the manner set forth in the Resolution for any additional fees, costs and expenses incurred in connection with the issuance and administration of Variable Interest Rate Bonds or costs and expenses relating to a Qualified Swap, including without limitation, the fees, costs and expenses of any provider of a Credit Facility, except to the extent any such fees, costs or expenses are deemed costs and expenses incurred in connection with the issuance and sale of such Variable Interest Rate Bonds for purposes of Section 1.1 of this Financing Agreement and are paid from Bond proceeds), each Bond shall bear a fixed rate of interest determined at the time of its issuance, which rate of interest shall not be subject to change or adjustment prior to the scheduled maturity of such Bond.

(c) Unless the Issuer and the State shall otherwise agree, the aggregate amount of principal, principal installments and interest payable in each State Fiscal Year during which principal payments or installments are made or provided for shall, with respect to each Series of Bonds (other than Variable Interest Rate Bonds), or the aggregate of all Bonds (not including Variable Interest Rate Bonds), as the Issuer shall elect, be as nearly equal as practicable.

1.3 The Issuer agrees that prior to its issuance of any Bonds it will inform the Director of the Budget of the approximate date on which it anticipates entering into a bond purchase agreement or other binding commitment with the prospective underwriters or purchasers of such Bonds and of the estimated interest rate or rates thereof. If the Director of the Budget shall request the Issuer to postpone the sale of such Bonds, or if the Issuer shall for any reason determine to defer the issuance and sale of any Bonds, the Issuer may, in accordance with the provisions of the Resolution, issue and sell State Personal Income Tax Revenue (Economic Development and Housing) Bond Anticipation Notes ("BANs") in such principal amount so that the Issuer may realize from the sale thereof an amount not exceeding the aggregate of (i) an amount equal to the net proceeds available for Costs of a Project which the Issuer would have realized from the sale of the Bonds in anticipation of which the BANs are issued (or, in the case of renewal BANs, an amount necessary to pay the outstanding BANs in full), (ii) an amount sufficient to pay interest on the BANs until their scheduled maturity and (iii) an amount equal to Issuer Expenses incurred and to be incurred in connection with the issuance and sale of the BANs. Unless the State shall pay to the Issuer an amount sufficient to pay the BANs at their maturity or upon an earlier redemption date in accordance with their terms, the State shall, in accordance with Section 5.1 hereof, timely furnish such information to the Issuer as shall be deemed necessary by the Issuer in order to enable it to disseminate an official statement and issue the Bonds in anticipation of which the BANs had been issued on or prior to the scheduled maturity or redemption date of the BANs. Notwithstanding the provisions of Section 1.1 hereof, in the event the Issuer shall issue BANs as herein provided, the Issuer (i) may issue Bonds in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to pay or redeem such BANs in accordance with their terms, and (ii) may use and pledge the proceeds from the sale of the Bonds in anticipation of which the BANs had been issued for and to the payment of such BANs and related Issuer Expenses in accordance with the Resolution.

1.4 The Issuer and the State agree that this Financing Agreement is executed in part in order to induce persons to purchase the Bonds to be issued to finance Authorized Purposes and for the purposes of securing such Bonds and, accordingly, all of the covenants and agreements on the part of the Issuer and the State set forth in this Financing Agreement are hereby declared to be for the benefit of the Holders from time to time of the Bonds. Accordingly:

(a) The Issuer may pledge, assign, or transfer the right to receive and collect Financing Agreement Payments from moneys on deposit and paid from the Revenue Bond Tax Fund and other sources authorized under Section 68-b, together with the Issuer's rights to enforce this Financing Agreement, and from and after such pledge, assignment, or transfer, such assignee shall have the Issuer's rights and privileges hereunder to the extent, and as conferred, in such pledge, assignment, and transfer and as further provided in the Resolution.

(b) In connection with the State's exercise of its right under Section 68-c and under the Resolution, upon the amendment of the State Constitution allowing the issuance or assumption of bonds, notes or other obligations secured by revenues, which may include the Revenues securing the Bonds, (i) to assume, in whole or part, the Bonds, (ii) to extinguish the existing lien of such Resolution, and (iii) to substitute security for the Bonds, in each case only so long as such assumption, extinguishment or substitution is completed in accordance with such Resolution, the Issuer may make such pledge, assignment and transfer set forth in paragraph (a) above to such successor entity, as provided by law. Upon completion of such assumption, extinguishment or substitution, the Issuer shall no longer be obligated under this Financing Agreement or under the Resolution.

1.5 Each Series of Bonds or other obligations issued pursuant to the Acts and the Resolution shall be enumerated in a schedule appended to this Agreement. It shall be sufficient, with the approval of the parties hereto, in connection with the issuance by the Issuer of Bonds or other obligations to cause a supplemental schedule to be certified by the Director of the Budget with the same force and effect as if incorporated herein. The foregoing provisions shall be applicable, subject to the Resolution, to the issuance of Subordinated Indebtedness or other obligations under the Resolution and the Acts.

## II. DUTIES OF AND PAYMENTS BY THE STATE

2.1 No later than thirty (30) days after the submission of the executive budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate setting forth the amount of monthly receipts anticipated to be deposited in the Revenue Bond Tax Fund during the fiscal year beginning April first of that year together with the monthly amounts necessary to be set aside from the receipts of such Fund, as shall be sufficient to meet the total cash requirements of the Issuer during such fiscal year, based on information that shall be provided by the Issuer and in the manner required by Section A-607 of the Resolution.

The Director of the Budget may revise such certification at such times as necessary, provided, however, that the Director of the Budget shall (i) promptly revise such certification if additional amounts are necessary to meet the cash requirements of the Issuer and (ii) as necessary, revise such certification not later than thirty (30) days after the issuance of any Bonds, including Refunding Bonds, and after the adoption of any Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap, Subordinated Indebtedness or other financial arrangement affecting the cash requirements of the Issuer and as authorized by the Resolution.

2.2 (a) Subject to the provisions of Section 2.7 hereof, the State agrees to pay to the Trustee, on behalf of the Issuer, no later than five Business Days prior to the time payment is required to be made to Holders of the Bonds or holders of Parity Reimbursement Obligations or other obligations in any year for which the Issuer shall have Bonds Outstanding or Parity Reimbursement Obligations or other obligations outstanding, a sum of money constituting Financing Agreement Payments equal to the amount necessary to provide for the payment of the principal of (including Mandatory Sinking Fund payments) and interest on the Bonds or amounts due on any Parity Reimbursement Obligations or other obligations coming due on the next succeeding Bond payment date, as certified in writing by an Authorized Officer of the Issuer to the Director of the Budget. Such Financing Agreement Payments shall include Issuer Expenses, as certified by such Authorized Officer, with the concurrence of the Director of the Budget, and amounts due on any Subordinated Indebtedness or other obligations incurred under the Resolution, to the Director of the Budget.

(b) In the event any Bonds, Parity Reimbursement Obligations or other obligations shall bear interest at other than a fixed interest rate, the State shall pay interest as follows: (i) the amount accrued at the actual rate or rates borne, to the extent such rate or rates are known in advance of the Bond payment date, plus; (ii) if necessary, an amount accrued at the Estimated Average Interest Rate through the next scheduled Bond payment date, less; (iii) any amount paid pursuant to (ii) relating to the preceding Bond payment date in excess of the amount paid to Bondholders and holders of Parity Reimbursement Obligations or other obligations through such preceding Bond payment date.

2.3 (a) The State may, at any time in its sole discretion, choose to prepay all or any part of the payments payable under Section 2.2 hereof. Any amounts so prepaid shall be credited to the payments to be made by the State under Section 2.2 hereof.

(b) The State may, at any time in its sole discretion, make payments to the Issuer for the purpose of (i) directly funding Authorized Purposes which will not be funded with the proceeds of Bonds; (ii) paying BANs at their maturity or earlier redemption date, as provided in Section 1.3 hereof; (iii) redeeming Bonds pursuant to the exercise by the Issuer of any option it may have under the Resolution; and (iv) defeasing Bonds or BANs prior to their maturity or redemption date as permitted by and in accordance with the procedures for defeasance set forth in the Resolution or otherwise. Any payments made by the State to the Issuer for the purposes set forth in this subsection shall, subject to the provisions of the Resolution, be applied by the Issuer to such purpose, and, if so directed herein or in the Resolution, shall be deposited in a Fund or account established under the Resolution or set aside with the Trustee, if any, or the Paying Agent as provided herein or in the Resolution.

2.4 The State further agrees upon request of the Issuer to pay all amounts constituting Financing Agreement Payments (i) which may become due to any provider of a Credit Facility in connection with a Credit Facility which may have been obtained if and to the extent such obligation arises as a result of the State's failure to make any payment pursuant to Section 2.1 hereof and (ii) which may become due pursuant to any agreement relating to a Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap or the issuance of Variable Interest Rate Bonds as contemplated by Section 1.2(b) of this Financing Agreement.

2.5 The State agrees to pay to the Issuer such amounts (constituting Financing Agreement Payments) as may be necessary in order for the Issuer to maintain the exclusion from gross income of interest on Bonds issued as Tax-exempt Bonds under the Code, including without limitation, amounts required to be paid by the Issuer to the United States as rebate of investment earnings and amounts required to be deposited by the Issuer in a yield restricted sinking fund, at such times as the Issuer deems necessary to maintain such exclusion.

2.6 The State agrees that, subject to the provisions of Section 2.7 hereof, its obligation to make the payments provided for in this Financing Agreement shall be absolute and unconditional, without any rights of set-off, recoupment or counterclaim the State may have against the Issuer or any other person or entity having an interest in this Financing Agreement or the payments made hereunder.

2.7 Notwithstanding anything in this Financing Agreement to the contrary (i) the obligation of the State acting by and through the Director of the Budget to make any Financing Agreement Payments required to be paid under this Financing Agreement is subject to annual appropriation by the State Legislature; and (ii) the obligation of the State acting by and through the Director of the Budget to pay any Financing Agreement Payments hereunder shall not constitute a debt of the State within the meaning of any constitutional or statutory provisions and shall be deemed executory only to the extent of monies available and no liability shall be incurred by the State beyond the moneys available for that purpose.

Furthermore, this Financing Agreement does not constitute a debt of the State or a contractual obligation in excess of the amounts appropriated therefore and the State has no continuing legal or moral obligation to appropriate moneys for any Financing Agreement Payment due hereunder.

2.8 The term of this Financing Agreement shall continue until all Bonds or other obligations incurred under the Resolution, have been paid at maturity or the debt service on such Bonds or other obligations has been provided for and the Bonds are no longer Outstanding under the Resolution and the State has fulfilled all its obligations under this Agreement.

## III. DUTIES OF THE ISSUER

3.1 The Issuer agrees to issue the Bonds for the purpose of carrying out the provisions of the Resolution and the Acts.

3.2 The Issuer agrees to apply the proceeds derived from the sale of the Bonds and from Financing Agreement Payments in accordance with the applicable provisions of the Resolution and the Acts.

3.3 Upon the issuance of the Bonds, the provisions of the Resolution relating to all Funds and accounts and the application and investment thereof shall apply.

3.4 No later than ten (10) Business Days after the issuance of Bonds or any other obligation under the Resolution, the Issuer shall furnish to the Director of the Budget a schedule of the Financing Agreement Payments, including debt service to be made on each date with respect to such Bonds or other obligations and related Issuer Expenses. Interest on Bonds or other obligations bearing interest at other than a fixed rate shall be calculated using the Estimated Average Interest Rate.

3.5 Upon payment to the Issuer of the amount required therefore and the State's direction to the Issuer to do so, the Issuer shall exercise any option it may have under the Resolution to redeem all or any portion of the Bonds, and the Issuer shall deposit into the Debt Service Fund all payments received from the State and designated for such purpose.

3.6 In addition to the duties of the Issuer with respect to the statutory audit powers granted the State, the Issuer agrees to keep or cause to be kept accounts and records which clearly identify the purposes for which moneys received by the Issuer (including Bond proceeds) pursuant to this Financing Agreement have been expended. The Issuer agrees to submit annual financial reports to the State within ninety (90) days after the end of each Issuer fiscal year during which this Financing Agreement is in force. The Issuer agrees to make available for inspection by the State its accounts and records as may be determined necessary or desirable by the State.

3.7 During each year the Issuer shall have Outstanding Bonds or other obligations outstanding under the Resolution, the Issuer shall, no later than October first, certify in writing to the Director of the Budget the schedule of anticipated cash requirements due from the State pursuant to Sections 2.1, 2.2, 2.4 and 2.5 of this Financing Agreement for the next State Fiscal Year, and for the four State Fiscal Years following such Fiscal Year, in such detail as the Director of the Budget may require. Any such schedule of anticipated cash requirements shall set forth any amounts held in Funds or accounts under the Resolution and available for a credit against such Financing Agreement Payment requirements as provided in this Financing Agreement. In calculating the amount of anticipated cash requirements with respect to Qualified Swaps, the Issuer shall include an amount not less than eighteen percent (18%) of the aggregate notional amount of all Qualified Swaps then in effect (or such other percentage as may be agreed to by the Issuer and the State from time to time).

3.8 Any moneys received by the Issuer from a Qualified Swap Provider shall be deposited in the Debt Service Fund.

3.9 In order to allow the Director of the Budget to comply with his or her obligations under the Enabling Act or the Resolution, the Issuer, upon the request of the Director of the Budget, shall provide to the Director current cash requirements relating to Finance Agreement Payments due to the Issuer.

3.10 The Issuer agrees, upon request of the State, to use its best efforts to issue Bonds to refund or otherwise repay, in accordance with the terms of the Resolution, all or any portion of Outstanding Bonds or Prior Obligations. Such Refunding Bonds shall be deemed Bonds for all purposes of this Financing Agreement, except that, notwithstanding the provisions of Section 3.1 hereof, the net proceeds derived from the sale of such Refunding Bonds shall be used by the Issuer to pay or provide for the payment of the Bonds or Prior Obligations to be refunded or repaid and Issuer Expenses.

3.11 When all Bonds issued under the Resolution and all other obligations incurred under the Resolution have been paid or deemed paid within the meaning of the Resolution, the Issuer shall promptly remit or cause to be remitted to the State any moneys remaining in any of the Funds and accounts not required for the payment or redemption of Bonds or other obligations not theretofore surrendered for such payment or redemption (all after transfer of any necessary moneys to the Rebate Fund). Any moneys or investments paid by the State to the Issuer or the Trustee or other fiduciary for the purposes of economically defeasing Bonds, shall be held for such purpose for the benefit of the Holders of such Bonds in accordance with the instructions of the Director of the Budget, consistent with the terms of the Resolution.

## IV. PLEDGE AND ASSIGNMENT

4.1 The State hereby consents to the pledge and assignment by the Issuer to the Holders of any of its Bonds, or to any trustee acting on their behalf, of all or any part of the benefits or rights of the Issuer herein, and to the holders or trustees of other obligations issued under the Resolution, of the payments by the State as provided herein and of the Funds and accounts established under the Resolution (except for the Rebate Fund and other Funds as provided in the Resolution).

## V. SPECIAL COVENANTS

5.1 The State agrees that whenever requested by the Issuer, with reasonable advance notification, it shall provide and certify information concerning the State and various other related entities (i) for publication in an official statement, placement memorandum or other similar disclosure document relating to the sale or issuance of the Bonds or other obligations under the Resolution, and (ii) necessary to allow the Issuer to make undertakings or contractual commitments which would permit underwriters or dealers to comply with federal securities law including, without limitation, the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. Such information shall be in the standard format utilized for State issuances. The State also agrees to make available any information necessary to enable the Issuer to make any reports required by law or government regulations in connection with the Bonds or other obligations under the Resolution.

5.2 Neither the Issuer nor the State will terminate this Financing Agreement for any cause including, without limiting the generality of the foregoing, an Event of Default by either party, any acts or circumstances which may constitute failure of consideration or frustration of purpose or the failure of either party to perform and observe any duty, liability or obligation arising out of or connected with this Financing Agreement.

5.3 Subject to the limitations contained in the Resolution, the State and the Issuer reserve the right to amend, modify or rescind this Financing Agreement or any Supplemental Agreement in any manner; provided that no such amendment, modification or recission shall materially adversely affect the interest of the Holders of Bonds or holders of Parity Reimbursement Obligations or other obligations. Specifically, and without limiting the generality of the foregoing, this Financing Agreement may be amended or modified (i) to provide for additional payments to the Issuer, (ii) to provide for modified payment provisions, including timing thereof, consistent with the provisions of the Resolution in connection with the issuance of Bonds, Parity Reimbursement Obligations or other obligations (iii) to cure any ambiguity or (iv) to correct or supplement any provisions contained in this Financing Agreement which may be defective or inconsistent with any other provisions contained herein. For the purposes of this Section, Bonds, Parity Reimbursement Obligations or other obligations shall be deemed to be materially adversely affected by an amendment, modification or recission of this Financing Agreement, if the same materially adversely affects or diminishes the rights of the Holders of the Bonds, holders of Parity Reimbursement Obligations or other obligations or any provider of a Credit Facility. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provision, Bonds, Parity Reimbursement Obligations or other obligations would be materially adversely affected by any amendment, modification or recission, and such determination shall be binding and conclusive on the State, Bondholders, holders of Parity Reimbursement Obligations or other obligations, the Trustee and the provider of a Credit Facility.

5.4 The State acknowledges and agrees that, in the event of any conflict between any of the provisions of this Financing Agreement and any of the provisions of the Resolution, the provisions of the Resolution shall be controlling; provided, however, that neither the Resolution nor any supplement or amendment thereto shall purport to limit or supersede the provisions set forth in Section 2.7 hereof.

5.5 The State, acknowledges and agrees that moneys in the Funds and accounts established under the Resolution may be invested in Investment Obligations authorized by the Resolution and that the Issuer may restrict such investments, or the yield to be realized therefrom, as it may deem necessary or appropriate in order to maintain the exclusion from gross income of interest on the Bonds issued as Tax-Exempt Bonds under the Code. Investment earnings shall be applied as permitted by the Resolution.

5.6 The State, to the extent authorized by law, shall indemnify and save harmless the Issuer from and against any and all liability, loss, damage, interest, judgments and liens growing out of, and any and all costs and expenses (including, but not limited to, counsel fees and disbursements) arising out of or incurred in connection with any and all claims, demands, suits, actions or proceedings which may be made or brought against the Issuer arising out of any determinations made or actions taken or omitted to be taken or compliance with any obligations under or pursuant to the Enabling Act, including the issuance, incurrence and delivery of Bonds, BANs, Parity Reimbursement Obligations, Subordinated Indebtedness or other obligations under the Resolution.

5.7 The State agrees to request appropriations during the term of this Financing Agreement in an amount at least equal to the amounts certified to by the Issuer pursuant to Section 3.7 of this Financing Agreement. The State also agrees to request appropriations during the term of all financing agreements entered into with all Authorized Issuers pursuant to the Enabling Act in amounts at least equal to the amounts certified by each Authorized Issuer pursuant to such financing agreements and to meet its other obligations under such financing agreements.

## VI. EVENTS OF DEFAULT BY THE STATE AND REMEDIES

6.1 If for any reason, other than a failure by the State Legislature to appropriate moneys for such purpose, the State shall fail to pay when due any Financing Agreement Payments, or shall fail to observe or perform any other covenant, condition or agreement on its part to be observed or performed, the Issuer shall, if such default has not been cured, have the right to institute any action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to collect the payments then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the State hereunder.

6.2 The remedies conferred upon or reserved to the Issuer under Section 6.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of this Financing Agreement, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

6.3 The State shall promptly notify the Issuer in writing that an Event of Default has occurred under the Resolution, including any events of default under resolutions or financing agreements of any Authorized Issuer related to obligations authorized by the Enabling Act. The State also agrees that upon the occurrence of an Event of Default, or event of default described in the preceding sentence, funds available through appropriation from the Revenue Bond Tax Fund will be available on an equitable basis among Authorized Issuers under the Enabling Act.

## VII. EVENTS OF DEFAULT BY THE ISSUER AND REMEDIES

7.1 If the Issuer shall fail to observe or perform any covenant, condition or agreement contained in this Financing Agreement or the Resolution on its part to be observed or performed and such failure to observe or perform shall have continued for sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the Issuer by the State, the State shall, if the default has not been cured, have the right to institute an action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the Issuer hereunder.

7.2 The remedies conferred upon or reserved to the State under Section 7.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of the Financing Agreement or of the obligations of the State to make the payments provided for in Article II hereof, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

## VIII. MISCELLANEOUS

8.1 The revenues, facilities, properties and any and all other assets of the Issuer of any name and nature, other than the Pledged Property, may not be used for, or as a result of any court proceedings or otherwise applied to, the payment of Bonds, any redemption premium therefore or the interest thereon or any other obligations under the Resolution, and under no circumstances shall these be available for such purposes.

8.2 The waiver by either party of a breach by the other shall not be deemed to waive any other breach hereunder nor shall any delay or omission to exercise any right or power upon any default impair any such right or power or be construed as a waiver thereof.

8.3 In the event any provision of this Financing Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

8.4 All notices provided for in this Financing Agreement shall be in writing and shall be delivered personally to or sent by certified or registered mail to the respective offices of the State and the Issuer as follows:

If to the State: Director of the Budget
State of New York
Executive Department
Division of the Budget
State Capitol, Room 113
Albany, New York 12224

If to the Issuer: General Counsel
Dormitory Authority of the State of New York
515 Broadway
Albany, New York 12207

The Issuer or the State may from time to time designate in writing other representatives with respect to receipt of notices.

8.5 This Financing Agreement, including any schedules referred to in Section 1.5, represents the entire agreement between the parties. It may not be amended or modified otherwise than by a written instrument executed by both parties. Such amendments shall not be contrary to the provisions of Section 5.2 or 5.3 hereof.

8.6 Nothing in this Financing Agreement shall be construed to confer upon or to give to any person or corporation other than the State, the Issuer, a Holder of any Bonds, a holder of other obligations under the Resolution, or any trustee acting under the Resolution, any right, remedy or claim under or by reason of this Financing Agreement or any provision thereof.

8.7 This Financing Agreement shall be construed and interpreted in accordance with the laws of the State of New York and any suits or actions arising out of this Financing Agreement shall be instituted in a court of competent jurisdiction in the State.

8.8 This Financing Agreement may be executed in several counterparts, each of which shall be deemed to be an original but such counterparts together shall constitute one and the same instrument.

8.9 Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Resolution.

IN WITNESS WHEREOF, the State has caused this Financing Agreement to be executed in its name by the Director of the Budget and the Issuer has caused this instrument to be signed by its Authorized Officer all as of the date and year first above written.

Approval as to form:
Attorney General

By: ______________________________

Date: ______________________________

State of New York

______________________________
Director of the Budget

Approved:

______________________________
State Comptroller

Date: ______________________________

Dormitory Authority of the State of New York

______________________________
Authorized Officer

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## APPENDIX C-II

## CONFORMED COPY OF FINANCING AGREEMENT
## (EDUCATION)

STATE PERSONAL INCOME TAX REVENUE BONDS (EDUCATION) FINANCING AGREEMENT (the "Financing Agreement"), dated as of January 1, 2003, by and between the Dormitory Authority of the State of New York, a corporate governmental agency of the State of New York (the "Issuer"), and the State of New York (the "State"), acting by and through the Director of the Budget of the State (the "Director of the Budget").

WHEREAS, the Issuer has, pursuant to the Dormitory Authority of the State of New York Act, constituting Title 4 of Article 8 of the Public Authorities Law, as amended and supplemented, together with any other provisions of State law relating to the authorization or financing of Costs of a Project, (the "Issuer Act") and Article 5-C of the State Finance Law, as may be hereafter amended from time to time (the "Enabling Act", which together with the Issuer Act is referred to herein as the "Acts"), adopted its State Personal Income Tax Revenue Bonds (Education) General Bond Resolution on July 24, 2002 (including Annex A thereto, as amended and supplemented), and various Supplemental Resolutions (collectively, the "Resolution") for the purpose of issuing from time to time one or more series of bonds (the "Bonds"), notes or other obligations to be secured by this Financing Agreement, as may be amended or supplemented from time to time, with the State; and

WHEREAS, in order to assist the Issuer in the financing of one or more authorized purposes as provided in the Enabling Act ("Authorized Purposes") pursuant to applicable law and in consideration of the benefits to be derived therefrom by the people of the State, the Director of the Budget, acting on behalf of the State, is authorized to enter into one or more Financing Agreements with the Issuer whereunder the State agrees, subject to the making of annual appropriations therefor by the State Legislature, to make annual payments to the Issuer, and authorize the Issuer to pledge and assign the State payments to be made as security for Bonds or other obligations which the Issuer may issue or incur in order to finance Authorized Purposes; and

WHEREAS, the State and the Issuer agree that their mutual public purposes and their best interests will be promoted by the execution of this Financing Agreement, as the same may be modified, supplemented or amended from time to time; and

WHEREAS, the Issuer Board authorized its Authorized Officer to enter into, execute and amend this Financing Agreement;

NOW, THEREFORE, the parties mutually agree as follows:

### I. ISSUANCE OF BONDS BY THE ISSUER

1.1 The State agrees that the Issuer may, subject to the provisions of this Financing Agreement and the Acts, issue one or more Series of its State Personal Income Tax Revenue Bonds (Education), secured by this Financing Agreement and the payments to be made by the State as herein provided. The Bonds shall be issued in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to fund Authorized Purposes having a cost not in excess of the amount specified by applicable law. The State recognizes that in order to realize net proceeds in the aforesaid amounts from the sale of Bonds, the Issuer may also issue Bonds in amounts sufficient to pay Costs of Issuance, and the amount of capitalized interest, if any, included in the issuance and sale of the Bonds.

1.2 The Bonds issued by the Issuer pursuant to the provisions of Section 1.1 hereof shall be subject to the following conditions and limitations:

(a) The Resolution shall have been approved by the Issuer Board in accordance with the Acts.

(b) Unless the Issuer and the State shall otherwise agree (and any such agreement may include, among other things, the agreement of the State to pay or to reimburse the Issuer in the manner set forth in the Resolution for any additional fees, costs and expenses incurred in connection with the issuance and administration of Variable Interest Rate Bonds or costs and expenses relating to a Qualified Swap, including without limitation, the fees, costs and expenses of any provider of a Credit Facility, except to the extent any such fees, costs or expenses are deemed costs and expenses incurred in connection with the issuance and sale of such Variable Interest Rate Bonds for purposes of Section 1.1 of this Financing Agreement and are paid from Bond proceeds), each Bond shall bear a fixed rate of interest determined at the time of its issuance, which rate of interest shall not be subject to change or adjustment prior to the scheduled maturity of such Bond.

(c) Unless the Issuer and the State shall otherwise agree, the aggregate amount of principal, principal installments and interest payable in each State Fiscal Year during which principal payments or installments are made or provided for shall, with respect to each Series of Bonds (other than Variable Interest Rate Bonds), or the aggregate of all Bonds (not including Variable Interest Rate Bonds), as the Issuer shall elect, be as nearly equal as practicable.

1.3 The Issuer agrees that prior to its issuance of any Bonds it will inform the Director of the Budget of the approximate date on which it anticipates entering into a bond purchase agreement or other binding commitment with the prospective underwriters or purchasers of such Bonds and of the estimated interest rate or rates thereof. If the Director of the Budget shall request the Issuer to postpone the sale of such Bonds, or if the Issuer shall for any reason determine to defer the issuance and sale of any Bonds, the Issuer may, in accordance with the provisions of the Resolution, issue and sell State Personal Income Tax Revenue (Education) Bond Anticipation Notes ("BANs") in such principal amount so that the Issuer may realize from the sale thereof an amount not exceeding the aggregate of (i) an amount equal to the net proceeds available for Costs of a Project which the Issuer would have realized from the sale of the Bonds in anticipation of which the BANs are issued (or, in the case of renewal BANs, an amount necessary to pay the outstanding BANs in full), (ii) an amount sufficient to pay interest on the BANs until their scheduled maturity and (iii) an amount equal to Issuer Expenses incurred and to be incurred in connection with the issuance and sale of the BANs. Unless the State shall pay to the Issuer an amount sufficient to pay the BANs at their maturity or upon an earlier redemption date in accordance with their terms, the State shall, in accordance with Section 5.1 hereof, timely furnish such information to the Issuer as shall be deemed necessary by the Issuer in order to enable it to disseminate an official statement and issue the Bonds in anticipation of which the BANs had been issued on or prior to the scheduled maturity or redemption date of the BANs. Notwithstanding the provisions of Section 1.1 hereof, in the event the Issuer shall issue BANs as herein provided, the Issuer (i) may issue Bonds in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to pay or redeem such BANs in accordance with their terms, and (ii) may use and pledge the proceeds from the sale of the Bonds in anticipation of which the BANs had been issued for and to the payment of such BANs and related Issuer Expenses in accordance with the Resolution.

1.4 The Issuer and the State agree that this Financing Agreement is executed in part in order to induce persons to purchase the Bonds to be issued to finance Authorized Purposes and for the purposes of securing such Bonds and, accordingly, all of the covenants and agreements on the part of the Issuer and the State set forth in this Financing Agreement are hereby declared to be for the benefit of the Holders from time to time of the Bonds. Accordingly:

(a) The Issuer may pledge, assign, or transfer the right to receive and collect Financing Agreement Payments from moneys on deposit and paid from the Revenue Bond Tax Fund and other sources authorized under Section 68-b, together with the Issuer's rights to enforce this Financing Agreement, and from and after such pledge, assignment, or transfer, such assignee shall have the Issuer's rights and privileges hereunder to the extent, and as conferred, in such pledge, assignment, and transfer and as further provided in the Resolution.

(b) In connection with the State's exercise of its right under Section 68-c and under the Resolution, upon the amendment of the State Constitution allowing the issuance or assumption of bonds, notes or other obligations secured by revenues, which may include the Revenues securing the Bonds, (i) to assume, in whole or part, the Bonds, (ii) to extinguish the existing lien of such Resolution, and (iii) to substitute security for the Bonds, in each case only so long as such assumption, extinguishment or substitution is completed in accordance with such Resolution, the Issuer may make such pledge, assignment and transfer set forth in paragraph (a) above to such successor entity, as provided by law. Upon completion of such assumption, extinguishment or substitution, the Issuer shall no longer be obligated under this Financing Agreement or under the Resolution.

1.5 Each Series of Bonds or other obligations issued pursuant to the Acts and the Resolution shall be enumerated in a schedule appended to this Agreement. It shall be sufficient, with the approval of the parties hereto, in connection with the issuance by the Issuer of Bonds or other obligations to cause a supplemental schedule to be certified by the Director of the Budget with the same force and effect as if incorporated herein. The foregoing provisions shall be applicable, subject to the Resolution, to the issuance of Subordinated Indebtedness or other obligations under the Resolution and the Acts.

## II. DUTIES OF AND PAYMENTS BY THE STATE

2.1 No later than thirty (30) days after the submission of the executive budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate setting forth the amount of monthly receipts anticipated to be deposited in the Revenue Bond Tax Fund during the fiscal year beginning April first of that year together with the monthly amounts necessary to be set aside from the receipts of such Fund, as shall be sufficient to meet the total cash requirements of the Issuer during such fiscal year, based on information that shall be provided by the Issuer and in the manner required by Section A-607 of the Resolution.

The Director of the Budget may revise such certification at such times as necessary, *provided*, *however*, that the Director of the Budget shall (i) promptly revise such certification if additional amounts are necessary to meet the cash requirements of the Issuer and (ii) as necessary, revise such certification not later than thirty (30) days after the issuance of any Bonds, including Refunding Bonds, and after the adoption of any Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap, Subordinated Indebtedness or other financial arrangement affecting the cash requirements of the Issuer and as authorized by the Resolution.

2.2 (a) Subject to the provisions of Section 2.7 hereof, the State agrees to pay to the Trustee, on behalf of the Issuer, no later than five Business Days prior to the time payment is required to be made to Holders of the Bonds or holders of Parity Reimbursement Obligations or other obligations in any year for which the Issuer shall have Bonds Outstanding or Parity Reimbursement Obligations or other obligations outstanding, a sum of money constituting Financing Agreement Payments equal to the amount necessary to provide for the payment of the principal of (including Mandatory Sinking Fund payments) and interest on the Bonds or amounts due on any Parity Reimbursement Obligations or other obligations coming due on the next succeeding Bond payment date, as certified in writing by an Authorized Officer of the Issuer to the Director of the Budget. Such Financing Agreement Payments shall include Issuer Expenses, as certified by such Authorized Officer, with the concurrence of the Director of the Budget, and amounts due on any Subordinated Indebtedness or other obligations incurred under the Resolution, to the Director of the Budget.

(b) In the event any Bonds, Parity Reimbursement Obligations or other obligations shall bear interest at other than a fixed interest rate, the State shall pay interest as follows: (i) the amount accrued at the actual rate or rates borne, to the extent such rate or rates are known in advance of the Bond payment date, plus; (ii) if necessary, an amount accrued at the Estimated Average Interest Rate through the next scheduled Bond payment date, less; (iii) any amount paid pursuant to (ii) relating to the preceding Bond payment date in excess of the amount paid to Bondholders and holders of Parity Reimbursement Obligations or other obligations through such preceding Bond payment date.

2.3 (a) The State may, at any time in its sole discretion, choose to prepay all or any part of the payments payable under Section 2.2 hereof. Any amounts so prepaid shall be credited to the payments to be made by the State under Section 2.2 hereof.

(b) The State may, at any time in its sole discretion, make payments to the Issuer for the purpose of (i) directly funding Authorized Purposes which will not be funded with the proceeds of Bonds; (ii) paying BANs at their maturity or earlier redemption date, as provided in Section 1.3 hereof; (iii) redeeming Bonds pursuant to the exercise by the Issuer of any option it may have under the Resolution; and (iv) defeasing Bonds or BANs prior to their maturity or redemption date as permitted by and in accordance with the procedures for defeasance set forth in the Resolution or otherwise. Any payments made by the State to the Issuer for the purposes set forth in this subsection shall, subject to the provisions of the Resolution, be applied by the Issuer to such purpose, and, if so directed herein or in the Resolution, shall be deposited in a Fund or account established under the Resolution or set aside with the Trustee, if any, or the Paying Agent as provided herein or in the Resolution.

2.4 The State further agrees upon request of the Issuer to pay all amounts constituting Financing Agreement Payments (i) which may become due to any provider of a Credit Facility in connection with a Credit Facility which may have been obtained if and to the extent such obligation arises as a result of the State's failure to make any payment pursuant to Section 2.1 hereof and (ii) which may become due pursuant to any agreement relating to a Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap or the issuance of Variable Interest Rate Bonds as contemplated by Section 1.2(b) of this Financing Agreement.

2.5 The State agrees to pay to the Issuer such amounts (constituting Financing Agreement Payments) as may be necessary in order for the Issuer to maintain the exclusion from gross income of interest on Bonds issued as Tax-exempt Bonds under the Code, including without limitation, amounts required to be paid by the Issuer to the United States as rebate of investment earnings and amounts required to be deposited by the Issuer in a yield restricted sinking fund, at such times as the Issuer deems necessary to maintain such exclusion.

2.6 The State agrees that, subject to the provisions of Section 2.7 hereof, its obligation to make the payments provided for in this Financing Agreement shall be absolute and unconditional, without any rights of set-off, recoupment or counterclaim the State may have against the Issuer or any other person or entity having an interest in this Financing Agreement or the payments made hereunder.

2.7 Notwithstanding anything in this Financing Agreement to the contrary (i) the obligation of the State acting by and through the Director of the Budget to make any Financing Agreement Payments required to be paid under this Financing Agreement is subject to annual appropriation by the State Legislature; and (ii) the obligation of the State acting by and through the Director of the Budget to pay any Financing Agreement Payments hereunder shall not constitute a debt of the State within the meaning of any constitutional or statutory provisions and shall be deemed executory only to the extent of monies available and no liability shall be incurred by the State beyond the moneys available for that purpose. Furthermore, this Financing Agreement does not constitute a debt of the State or a contractual obligation in excess of the amounts appropriated therefore and the State has no continuing legal or moral obligation to appropriate moneys for any Financing Agreement Payment due hereunder.

2.8 The term of this Financing Agreement shall continue until all Bonds or other obligations incurred under the Resolution, have been paid at maturity or the debt service on such Bonds or other obligations has been provided for and the Bonds are no longer Outstanding under the Resolution and the State has fulfilled all its obligations under this Agreement.

## III. DUTIES OF THE ISSUER

3.1 The Issuer agrees to issue the Bonds for the purpose of carrying out the provisions of the Resolution and the Acts.

3.2 The Issuer agrees to apply the proceeds derived from the sale of the Bonds and from Financing Agreement Payments in accordance with the applicable provisions of the Resolution and the Acts.

3.3 Upon the issuance of the Bonds, the provisions of the Resolution relating to all Funds and accounts and the application and investment thereof shall apply.

3.4 No later than ten (10) business days after the issuance of Bonds or any other obligation under the Resolution, the Issuer shall furnish to the Director of the Budget a schedule of the Financing Agreement Payments, including debt service to be made on each date with respect to such Bonds or other obligations and related Issuer Expenses. Interest on Bonds or other obligations bearing interest at other than a fixed rate shall be calculated using the Estimated Average Interest Rate.

3.5 Upon payment to the Issuer of the amount required therefore and the State's direction to the Issuer to do so, the Issuer shall exercise any option it may have under the Resolution to redeem all or any portion of the Bonds, and the Issuer shall deposit into the Debt Service Fund all payments received from the State and designated for such purpose.

3.6 In addition to the duties of the Issuer with respect to the statutory audit powers granted the State, the Issuer agrees to keep or cause to be kept accounts and records which clearly identify the purposes for which moneys received by the Issuer (including Bond proceeds) pursuant to this Financing Agreement have been expended. The Issuer agrees to submit annual financial reports to the State within ninety (90) days after the end of each Issuer fiscal year during which this Financing Agreement is in force. The Issuer agrees to make available for inspection by the State its accounts and records as may be determined necessary or desirable by the State.

3.7 During each year the Issuer shall have Outstanding Bonds or other obligations outstanding under the Resolution, the Issuer shall, no later than October first, certify in writing to the Director of the Budget the schedule of anticipated cash requirements due from the State pursuant to Sections 2.1, 2.2, 2.4 and 2.5 of this Financing Agreement for the next State Fiscal Year, and for the four State Fiscal Years following such Fiscal Year, in such detail as the Director of the Budget may require. Any such schedule of anticipated cash requirements shall set forth any amounts held in Funds or accounts under the Resolution and available for a credit against such Financing Agreement Payment requirements as provided in this Financing Agreement. In calculating the amount of anticipated cash requirements with respect to Qualified Swaps, the Issuer shall include an amount not less than eighteen percent (18%) of the aggregate notional amount of all Qualified Swaps then in effect (or such other percentage as may be agreed to by the Issuer and the State from time to time).

3.8 Any moneys received by the Issuer from a Qualified Swap Provider shall be deposited in the Debt Service Fund.

3.9 In order to allow the Director of the Budget to comply with his or her obligations under the Enabling Act or the Resolution, the Issuer, upon the request of the Director of the Budget, shall provide to the Director current cash requirements relating to Finance Agreement Payments due to the Issuer.

3.10 The Issuer agrees, upon request of the State, to use its best efforts to issue Bonds to refund or otherwise repay, in accordance with the terms of the Resolution, all or any portion of Outstanding Bonds or Prior Obligations. Such Refunding Bonds shall be deemed Bonds for all purposes of this Financing Agreement, except that, notwithstanding the provisions of Section 3.1 hereof, the net proceeds derived from the sale of such Refunding Bonds shall be used by the Issuer to pay or provide for the payment of the Bonds or Prior Obligations to be refunded or repaid and Issuer Expenses.

3.11 When all Bonds issued under the Resolution and all other obligations incurred under the Resolution have been paid or deemed paid within the meaning of the Resolution, the Issuer shall promptly remit or cause to be remitted to the State any moneys remaining in any of the Funds and accounts not required for the payment or redemption of Bonds or other obligations not theretofore surrendered for such payment or redemption (all after transfer of any necessary moneys to the Rebate Fund). Any moneys or investments paid by the State to the Issuer or the Trustee or other fiduciary for the purposes of economically defeasing Bonds, shall be held for such purpose for the benefit of the Holders of such Bonds in accordance with the instructions of the Director of the Budget, consistent with the terms of the Resolution.

## IV. PLEDGE AND ASSIGNMENT

4.1 The State hereby consents to the pledge and assignment by the Issuer to the Holders of any of its Bonds, or to any trustee acting on their behalf, of all or any part of the benefits or rights of the Issuer herein, and to the holders or trustees of other obligations issued under the Resolution, of the payments by the State as provided herein and of the Funds and accounts established under the Resolution (except for the Rebate Fund and other Funds as provided in the Resolution).

## V. SPECIAL COVENANTS

5.1 The State agrees that whenever requested by the Issuer, with reasonable advance notification, it shall provide and certify information concerning the State and various other related entities (i) for publication in an official statement, placement memorandum or other similar disclosure document relating to the sale or issuance of the Bonds or other obligations under the Resolution, and (ii) necessary to allow the Issuer to make undertakings or contractual commitments which would permit underwriters or dealers to comply with federal securities law including, without limitation, the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. Such information shall be in the standard format utilized for State issuances. The State also agrees to make available any information necessary to enable the Issuer to make any reports required by law or government regulations in connection with the Bonds or other obligations under the Resolution.

5.2 Neither the Issuer nor the State will terminate this Financing Agreement for any cause including, without limiting the generality of the foregoing, an Event of Default by either party, any acts or circumstances which may constitute failure of consideration or frustration of purpose or the failure of either party to perform and observe any duty, liability or obligation arising out of or connected with this Financing Agreement.

5.3 Subject to the limitations contained in the Resolution, the State and the Issuer reserve the right to amend, modify or rescind this Financing Agreement or any Supplemental Agreement in any manner; *provided* that no such amendment, modification or recission shall materially adversely affect the interest of the Holders of Bonds or holders of Parity Reimbursement Obligations or other obligations. Specifically, and without limiting the generality of the foregoing, this Financing Agreement may be amended or modified (i) to provide for additional payments to the Issuer, (ii) to provide for modified payment provisions, including timing thereof, consistent with the provisions of the Resolution in connection with the issuance of Bonds, Parity Reimbursement Obligations or other obligations (iii) to cure any ambiguity or (iv) to correct or supplement any provisions contained in this Financing Agreement which may be defective or inconsistent with any other provisions contained herein. For the purposes of this Section, Bonds, Parity Reimbursement Obligations or other obligations shall be deemed to be materially adversely affected by an amendment, modification or recission of this Financing Agreement, if the same materially adversely affects or diminishes the rights of the Holders of the Bonds, holders of Parity Reimbursement Obligations or other obligations or any provider of a Credit Facility. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provision, Bonds, Parity Reimbursement Obligations or other obligations would be materially adversely affected by any amendment, modification or recission, and such determination shall be binding and conclusive on the State, Bondholders, holders of Parity Reimbursement Obligations or other obligations, the Trustee and the provider of a Credit Facility.

5.4 The State acknowledges and agrees that, in the event of any conflict between any of the provisions of this Financing Agreement and any of the provisions of the Resolution, the provisions of the Resolution shall be controlling; *provided*, *however*, that neither the Resolution nor any supplement or amendment thereto shall purport to limit or supersede the provisions set forth in Section 2.7 hereof.

5.5 The State, acknowledges and agrees that moneys in the Funds and accounts established under the Resolution may be invested in Investment Obligations authorized by the Resolution and that the Issuer may restrict such investments, or the yield to be realized therefrom, as it may deem necessary or appropriate in order to maintain the exclusion from gross income of interest on the Bonds issued as Tax-Exempt Bonds under the Code. Investment earnings shall be applied as permitted by the Resolution.

5.6 The State, to the extent authorized by law, shall indemnify and save harmless the Issuer from and against any and all liability, loss, damage, interest, judgments and liens growing out of, and any and all costs and expenses (including, but not limited to, counsel fees and disbursements) arising out of or incurred in connection with any and all claims, demands, suits, actions or proceedings which may be made or brought against the Issuer arising out of any determinations made or actions taken or omitted to be taken or compliance with any obligations under or pursuant to the Enabling Act, including the issuance, incurrence and delivery of Bonds, BANs, Parity Reimbursement Obligations, Subordinated Indebtedness or other obligations under the Resolution.

5.7 The State agrees to request appropriations during the term of this Financing Agreement in an amount at least equal to the amounts certified to by the Issuer pursuant to Section 3.7 of this Financing Agreement. The State also agrees to request appropriations during the term of all financing agreements entered into with all Authorized Issuers pursuant to the Enabling Act in amounts at least equal to the amounts certified by each Authorized Issuer pursuant to such financing agreements and to meet its other obligations under such financing agreements.

## VI. EVENTS OF DEFAULT BY THE STATE AND REMEDIES

6.1 If for any reason, other than a failure by the State Legislature to appropriate moneys for such purpose, the State shall fail to pay when due any Financing Agreement Payments, or shall fail to observe or perform any other covenant, condition or agreement on its part to be observed or performed, the Issuer shall, if such default has not been cured, have the right to institute any action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to collect the payments then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the State hereunder.

6.2 The remedies conferred upon or reserved to the Issuer under Section 6.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; *provided*, *however*, that such remedy or remedies may in no event include a termination of this Financing Agreement, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

6.3 The State shall promptly notify the Issuer in writing that an Event of Default has occurred under the Resolution, including any events of default under resolutions or financing agreements of any Authorized Issuer related to obligations authorized by the Enabling Act. The State also agrees that upon the occurrence of an Event of Default, or event of default described in the preceding sentence, funds available through appropriation from the Revenue Bond Tax Fund will be available on an equitable basis among Authorized Issuers under the Enabling Act.

## VII. EVENTS OF DEFAULT BY THE ISSUER AND REMEDIES

7.1 If the Issuer shall fail to observe or perform any covenant, condition or agreement contained in this Financing Agreement or the Resolution on its part to be observed or performed and such failure to observe or perform shall have continued for sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the Issuer by the State, the State shall, if the default has not been cured, have the right to institute an action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the Issuer hereunder.

7.2 The remedies conferred upon or reserved to the State under Section 7.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; *provided*, *however*, that such remedy or remedies may in no event include a termination of the Financing Agreement or of the obligations of the State to make the payments provided for in Article II hereof, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

## VIII. MISCELLANEOUS

8.1 The revenues, facilities, properties and any and all other assets of the Issuer of any name and nature, other than the Pledged Property, may not be used for, or as a result of any court proceedings or otherwise applied to, the payment of Bonds, any redemption premium therefore or the interest thereon or any other obligations under the Resolution, and under no circumstances shall these be available for such purposes.

8.2 The waiver by either party of a breach by the other shall not be deemed to waive any other breach hereunder nor shall any delay or omission to exercise any right or power upon any default impair any such right or power or be construed as a waiver thereof.

8.3 In the event any provision of this Financing Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

8.4 All notices provided for in this Financing Agreement shall be in writing and shall be delivered personally to or sent by certified or registered mail to the respective offices of the State and the Issuer as follows:

| | |
|---|---|
| If to the State: | Director of the Budget<br>State of New York<br>Executive Department<br>Division of the Budget<br>State Capitol, Room 113<br>Albany, New York 12224 |
| If to the Issuer: | General Counsel<br>Dormitory Authority of the State of New York<br>515 Broadway<br>Albany, New York 12207 |

The Issuer or the State may from time to time designate in writing other representatives with respect to receipt of notices.

8.5 This Financing Agreement, including any schedules referred to in Section 1.5, represents the entire agreement between the parties. It may not be amended or modified otherwise than by a written instrument executed by both parties. Such amendments shall not be contrary to the provisions of Section 5.2 or 5.3 hereof.

8.6 Nothing in this Financing Agreement shall be construed to confer upon or to give to any person or corporation other than the State, the Issuer, a Holder of any Bonds, a holder of other obligations under the Resolution, or any trustee acting under the Resolution, any right, remedy or claim under or by reason of this Financing Agreement or any provision thereof.

8.7 This Financing Agreement shall be construed and interpreted in accordance with the laws of the State of New York and any suits or actions arising out of this Financing Agreement shall be instituted in a court of competent jurisdiction in the State.

8.8 This Financing Agreement may be executed in several counterparts, each of which shall be deemed to be an original but such counterparts together shall constitute one and the same instrument.

8.9 Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Resolution.

IN WITNESS WHEREOF, the State has caused this Financing Agreement to be executed in its name by the Director of the Budget and the Issuer has caused this instrument to be signed by its Authorized Officer all as of the date and year first above written.

| | |
|---|---|
| Approval as to form:<br>Attorney General | State of New York |
| By: ______________________________ | ______________________________<br>Director of the Budget |
| Date: ______________________________ | |
| Approved: | Dormitory Authority of the State of New York |
| ______________________________<br>State Comptroller | ______________________________<br>Authorized Officer |
| Date: ______________________________ | |

# APPENDIX D

## PROPOSED FORMS OF BOND COUNSEL OPINIONS

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SIDLEY AUSTIN LLP
SIDLEY

SIDLEY AUSTIN LLP
787 SEVENTH AVENUE
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(212) 839 5599 FAX

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GENEVA
HONG KONG
LONDON
LOS ANGELES
NEW YORK
SAN FRANCISCO
SHANGHAI
SINGAPORE
SYDNEY
TOKYO
WASHINGTON, D.C.

FOUNDED 1866

July __, 2007

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

We have acted as bond counsel to the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic of the State of New York (the "State") constituting a public benefit corporation organized and existing under the laws of the State, including the Dormitory Authority Act, being Title 4 of Article 8 of the Public Authorities Law of the State, as amended to the date hereof, including, without limitation, by the Healthcare Financing Consolidation Act, being Title 4-B of the Public Authorities Law of the State, as amended to the date hereof (the "Authority Act"), in connection with the Authority's issuance of its $441,895,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (Education), Series 2007A (the "Series 2007A Education Bonds") and of its $20,275,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (Education), Series 2007B (Green Initiatives) (the "Series 2007B Education Bonds" and, together with the Series 2007A Education Bonds, the "Series 2007 Education Bonds").

The Series 2007 Education Bonds are authorized to be issued in accordance with the Authority Act and Part I of Chapter 383 of the Laws of New York of 2001 (the "Enabling Act"), and pursuant and subject to the provisions, terms and conditions of (i) the State Personal Income Tax Revenue Bonds (Education) General Bond Resolution of the Authority adopted on July 24, 2002 (the "Education General Resolution"), (ii) the Authority's Supplemental Resolution 2007-1 Authorizing State Personal Income Tax Revenue Bonds (Education), adopted by the Authority on May 30, 2007 (the "Series 2007-1 Education Supplemental Resolution") and (iii) with respect to the Series 2007A Education Bonds, the Authority's Supplemental Resolution 2007-2 Authorizing State Personal Income Tax Revenue Bonds (Education), adopted by the Authority on May 30, 2007 (the "Series 2007-2 Education Supplemental Resolution") (such Education General Resolution, together with the Series 2007-1 Education Supplemental Resolution and Series 2007-2 Education Supplemental Resolution, being herein, except as the context otherwise indicates, called the "Education Resolutions"). Unless otherwise defined herein, capitalized terms used herein have the respective meanings given to them in the Education Resolutions.

The Series 2007 Education Bonds, together with any additional series of bonds which have heretofore been issued or may hereafter be issued be issued under the Education General Resolution (collectively, the "Education Bonds"), are authorized to be issued from time to time for the purposes authorized by the Enabling Act and, the Education General Resolution, as then in effect, and without limitation as to amount, except as provided in the Education General Resolution or as may be limited by law. The Series 2007 Education Bonds are being issued for the purposes set forth in the Education Resolutions. The Authority is authorized to issue Education Bonds, in addition to the Series 2007 Education Bonds, only upon the terms and conditions set forth in the Education Resolutions and such

Education Bonds, when issued, will with the Series 2007 Education Bonds be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Education Resolutions.

The Series 2007A Education Bonds are issuable only in the form of fully registered Bonds in denominations of $5,000 or integral multiples thereof. Interest on the Series 2007A Education Bonds is to be payable on March 15 and September 15 of each year, commencing September 15, 2007. The Series 2007A Education Bonds are dated and bear interest from their date of delivery and mature on March 15 in each of the years in the respective principal amounts, and bear interest at the respective rates set forth in the related Certificate of Determination executed and delivered pursuant to the Series 2007-1 Education Supplemental Resolution and Series 2007-2 Education Supplemental Resolution concurrently with the issuance of the Series 2007A Education Bonds.

The Series 2007B Education Bonds are issuable only in the form of fully registered Bonds in denominations of $5,000 or integral multiples thereof. Interest on the Series 2007B Education Bonds is to be payable on March 15 and September 15 of each year, commencing September 15, 2007. The Series 2007B Education Bonds are dated and bear interest from their date of delivery and mature on March 15 in each of the years in the respective principal amounts, and bear interest at the respective rates set forth in the related Certificate of Determination executed and delivered pursuant to the Series 2007-1 Education Supplemental Resolution concurrently with the issuance of the Series 2007B Education Bonds.

Each Series of the Series 2007 Education Bonds are numbered consecutively from one upward in order of issuance.

The Authority and the State, acting through the Director of the Division of the Budget (the "Director of the Budget") have entered into a Financing Agreement, dated as of January 1, 2003, as amended and supplemented (as amended and supplemented, the "Financing Agreement"), by which the State is obligated to make payments, subject to appropriation, sufficient to pay the principal and Redemption Price of and interest on Outstanding Education Bonds, including the Series 2007 Education Bonds. All amounts payable under the Financing Agreement have been pledged by the Authority for payment of the principal or Redemption Price of and interest on the Education Bonds, including the Series 2007 Education Bonds.

In rendering the opinions set forth herein, we have reviewed the Education Resolutions, the Financing Agreement, the Tax Certificate of the Authority dated as of the date hereof (the "Tax Certificate"), an opinion of counsel to the Authority, certificates of the Authority, the Trustee and others, and such other agreements, documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have not undertaken an independent audit or investigation of the matters and opinions described or contained in the foregoing agreements, certificates, opinions and documents.

Based upon our examination of existing laws, such legal proceedings and such other documents as we deem necessary to render this opinion, we are of the opinion as of the date hereof that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State, with the right and lawful authority and power to adopt the Education Resolutions and to issue the Series 2007 Education Bonds thereunder.

2. The Series 2007-1 Education Supplemental Resolution and Series 2007-2 Education Supplemental Resolution have been duly adopted by the Authority in accordance with the provisions of the Education General Resolution and are authorized and permitted by the Education General Resolution. The Education Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms.

3. The Series 2007 Education Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State, including the Authority Act and the Enabling Act, and in accordance with the Education Resolutions. The Series 2007 Education Bonds are legal, valid and binding special obligations of the Authority payable as provided in the Education Resolutions, are enforceable in accordance with their terms and the terms of the Education Resolutions and are entitled to the benefits of the Education Resolutions, the Authority Act and the Enabling Act.

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

5. The Series 2007 Education Bonds are payable solely from the sources described in the Education Resolutions and do not constitute a debt or liability of the State.

6. Neither the Authority nor the Holders of the Series 2007 Education Bonds has any lien on moneys on deposit in the Revenue Bond Tax Fund established pursuant to Section 92-z of the State Finance Law.

7. The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2007 Education Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with any of such provisions could cause the interest on the Series 2007 Education Bonds to be included in gross income retroactive to the date of issue of the Series 2007 Education Bonds. The Authority has covenanted in the Series 2007-1 Education Supplemental Resolution and Series 2007-2 Education Supplemental Resolution to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2007A Education Bonds from gross income for federal income tax purposes and the Authority has covenanted in the Series 2007-1 Education Supplemental Resolution to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2007B Bonds from gross income for federal income tax purposes. The State has agreed in the Financing Agreement to pay to the Authority on a timely basis such amount as is necessary to maintain the exclusion of the interest on the Series 2007 Education Bonds from gross income for federal income tax purposes. In addition, the Authority, the State and certain other entities benefiting from the Series 2007 Education Bonds have made in their certificates certain representations and certifications relating to compliance with certain federal income tax matters.

Except as provided in the following two sentences, interest on the Series 2007 Education Bonds is not includable in the gross income of the Holders thereof for purposes of federal income taxation. Interest on the Series 2007 Education Bonds will be includable in gross income for purposes of federal income taxation retroactive to their date of issuance if the Authority, the State or another entity benefiting from the Series 2007 Education Bonds, as described above, fails to comply subsequent to the issuance of the Series 2007 Education Bonds with the covenant, agreement, representations and certifications described above relating to compliance with certain federal income tax matters, including requirements of the Code and covenants regarding the use, expenditure and investment of the Series 2007 Education Bond proceeds and the timely payment of certain investment earnings to the U.S. Treasury. We express no opinion as to the exclusion from gross income of the interest on the Series 2007 Education Bonds for federal income tax purposes (i) in the event the Education Resolutions or the State Facilities Resolutions have been modified or amended in any manner which affects the exclusion of interest on the Series 2007 Education Bonds for federal income tax purposes without the approval of this firm, or (ii) on or after the date on which any change contemplated by the documents executed and delivered in connection with the authorization, sale or issuance of the Series 2007 Education Bonds occurs or action is taken that adversely affects the exclusion from gross income of interest on the Series 2007 Education Bonds for federal income tax purposes upon the approval of counsel other than this firm.

8. Interest on the Series 2007 Education Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which we render no opinion, as a result of ownership of such Series 2007 Education Bonds or the inclusion in certain computations (including without limitation those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

9. Under existing law, interest on the Series 2007 Education Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof, including The City of New York and the City of Yonkers by virtue of the Authority Act.

10. The excess, if any, of the stated redemption price at maturity of any maturity of the Series 2007 Education Bonds over the issue price thereof constitutes original issue discount. The amount of original issue discount that has accrued and is properly allocable to an owner of any maturity of the Series 2007 Education Bonds with original issue discount is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2007 Education Bonds. In general, the issue price of a maturity of the Series 2007 Education Bonds is the first price at which a substantial amount of Series 2007 Education Bonds of that maturity was sold (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). The Code provides that such original issue discount excluded as interest accrues in accordance with a constant yield method based on the compounding of interest, and that a holder's adjusted basis for purposes of determining a holder's gain or loss on disposition of the Series 2007 Education Bonds with original issue discount will be increased by the amount of such accrued interest.

We have examined an executed Series 2007A Education Bond and an executed Series 2007B Education Bond and, in our opinion, the forms of said Bonds and their execution are regular and proper.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur and we have no obligation to update this opinion in light of such actions or events.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2007 Education Bonds, the Education Resolutions and the Financing Agreement may be limited by applicable bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Very truly yours,

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July __, 2007

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

We have acted as bond counsel to the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic of the State of New York (the "State") constituting a public benefit corporation organized and existing under the laws of the State, including the Dormitory Authority Act, being Title 4 of Article 8 of the Public Authorities Law of the State, as amended to the date hereof, including, without limitation, by the Healthcare Financing Consolidation Act, being Title 4-B of the Public Authorities Law of the State, as amended to the date hereof (the "Authority Act"), in connection with the Authority's issuance of its $105,890,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2007A (Federally Taxable) (the "Series 2007A Economic Development Bonds").

The Series 2007A Economic Development Bonds are authorized to be issued in accordance with the Authority Act and Part I of Chapter 383 of the Laws of New York of 2001 (the "Enabling Act"), and pursuant and subject to the provisions, terms and conditions of (i) the State Personal Income Tax Revenue Bonds (Economic Development and Housing) General Bond Resolution of the Authority adopted on January 22, 2003 (the "Economic Development General Resolution") and (ii) the Authority's Supplemental Resolution 2006-1 Authorizing State Personal Income Tax Revenue Bonds (Economic Development and Housing), adopted by the Authority on January 25, 2006 (the "Series 2007 Economic Development Supplemental Resolution") (such Economic Development General Resolution, together with the Series 2007 Economic Development Supplemental Resolution, being herein, except as the context otherwise indicates, called the "Economic Development Resolutions"). Unless otherwise defined herein, capitalized terms used herein have the respective meanings given to them in the Economic Development Resolutions.

The Series 2007A Economic Development Bonds, together with any additional series of bonds which have heretofore been issued or may hereafter be issued be issued under the Economic Development General Resolution (collectively, the "Economic Development Bonds"), are authorized to be issued from time to time for the purposes authorized by the Enabling Act and, the Economic Development General Resolution, as then in effect, and without limitation as to amount, except as provided in the Economic Development General Resolution or as may be limited by law. The Series 2007A Economic Development Bonds are being issued for the purposes set forth in the Economic Development Resolutions. The Authority is authorized to issue Economic Development Bonds, in addition to the Series 2007A Economic Development Bonds, only upon the terms and conditions set forth in the Economic Development Resolutions and such Economic Development Bonds, when issued, will with the Series 2007A Economic Development Bonds be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Economic Development Resolutions.

The Series 2007A Economic Development Bonds are issuable only in the form of fully registered Bonds in denominations of $5,000 or integral multiples thereof. Interest on the Series 2007A Economic Development Bonds is to be payable on June 15 and December 15 of each year, commencing December 15, 2007. The Series 2007A Economic Development Bonds are dated and bear interest from their date of delivery and mature on December 15 in each of the years in the respective principal amounts, and bear interest at the respective rates set forth in the related Certificate of Determination executed and delivered pursuant to the Series 2007 Economic Development Supplemental Resolution concurrently with the issuance of the Series 2007A Economic Development Bonds.

The Series 2007A Economic Development Bonds are numbered consecutively from one upward in order of issuance.

The Authority and the State, acting through the Director of the Division of the Budget (the "Director of the Budget") have entered into a Financing Agreement, dated as of March 1, 2003, as amended and supplemented (as amended and supplemented, the "Financing Agreement"), by which the State is obligated to make payments, subject to appropriation, sufficient to pay the principal and Redemption Price of and interest on Outstanding Economic Development Bonds, including the Series 2007A Economic Development Bonds. All amounts payable under the Financing Agreement have been pledged by the Authority for payment of the principal or Redemption Price of and interest on the Economic Development Bonds, including the Series 2007A Economic Development Bonds.

In rendering the opinions set forth herein, we have reviewed the Economic Development Resolutions, the Financing Agreement, an opinion of counsel to the Authority, certificates of the Authority, the Trustee and others, and such other agreements, documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have not undertaken an independent audit or investigation of the matters and opinions described or contained in the foregoing agreements, certificates, opinions and documents.

Based upon our examination of existing laws, such legal proceedings and such other documents as we deem necessary to render this opinion, we are of the opinion as of the date hereof that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State, with the right and lawful authority and power to adopt the Economic Development Resolutions and to issue the Series 2007A Economic Development Bonds thereunder.

2. The Series 2007 Economic Development Supplemental Resolution has been duly adopted by the Authority in accordance with the provisions of the Economic Development General Resolution and is authorized and permitted by the Economic Development General Resolution. The Economic Development Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms.

3. The Series 2007A Economic Development Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State, including the Authority Act and the Enabling Act, and in accordance with the Economic Development Resolutions. The Series 2007A Economic Development Bonds are legal, valid and binding special obligations of the Authority payable as provided in the Economic Development Resolutions, are enforceable in accordance with their terms and

the terms of the Economic Development Resolutions and are entitled to the benefits of the Economic Development Resolutions, the Authority Act and the Enabling Act.

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

5. The Series 2007A Economic Development Bonds are payable solely from the sources described in the Economic Development Resolutions and do not constitute a debt or liability of the State.

6. Neither the Authority nor the Holders of the Series 2007A Economic Development Bonds has any lien on moneys on deposit in the Revenue Bond Tax Fund established pursuant to Section 92-z of the State Finance Law.

7. Under existing law, interest on the Series 2007A Economic Development Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof, including The City of New York and the City of Yonkers by virtue of the Authority Act.

We have examined an executed Series 2007A Economic Development Bond and, in our opinion, the form of said Bond and its execution is regular and proper.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur and we have no obligation to update this opinion in light of such actions or events.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2007A Economic Development Bonds, the Economic Development Resolutions and the Financing Agreement may be limited by applicable bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Very truly yours,

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Dormitory Authority of the State of New York • State Personal Income Tax Revenue Bonds

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