NEW ISSUE

$100,120,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
LEASE REVENUE BONDS
(STATE UNIVERSITY DORMITORY FACILITIES ISSUE), SERIES 2009A

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

Payment: The Lease Revenue Bonds (State University Dormitory Facilities Issue), Series 2009A (the "Series 2009A Bonds") will be special obligations of the Dormitory Authority of the State of New York (the "Authority"). Principal and Redemption Price of, and interest on, the Series 2009A Bonds are payable primarily from moneys to be paid by the State University of New York (the "University") under the Lease and Agreement, dated as of September 20, 1995, between the Authority and the University, as amended and restated as of September 24, 2003 (the "Agreement"), and as otherwise provided by the Authority's Lease Revenue Bond Resolution (State University Dormitory Facilities Issue), adopted by the Authority on September 20, 1995, as amended and restated on September 24, 2003 (the "Resolution"), and the Authority's Lease Revenue Bonds (State University Dormitory Facilities Issue) Series 2009A Resolution Authorizing Up To $153,000,000 Series 2009A Bonds, adopted by the Authority on July 29, 2009 (the "Series 2009A Resolution").

The Series 2009A Bonds will not be a debt of the State of New York (the "State") or the University. Neither the State nor the University will be liable thereon. The Authority has no taxing power.

Description: The Series 2009A Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. Interest (due semiannually each January 1 and July 1, commencing July 1, 2010) will be payable by check mailed to the registered owners thereof and principal and Redemption Price of the Series 2009A Bonds will be payable at the principal corporate trust office of Manufacturers and Traders Trust Company, Buffalo, New York, the Trustee and Paying Agent.

The Series 2009A Bonds will be issued initially under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Individual purchases of beneficial interests in the Series 2009A Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2009A Bonds, payments of the principal and Redemption Price of and interest on such Series 2009A Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "PART 2 - DESCRIPTION OF THE SERIES 2009A BONDS - Book-Entry Only System" herein.

Redemption or Purchase: The Series 2009A Bonds are subject to redemption or purchase prior to maturity as more fully described herein.

Tax Exemption: In the opinion of Hiscock & Barclay LLP, Bond Counsel, under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, (i) interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Series 2009A Bonds is not treated as a preference item in calculating the federal alternative minimum tax imposed on individuals and corporations under the Code nor is it included in the adjusted current earnings of corporations for purposes of calculating the federal corporate alternative minimum taxable income. Bond Counsel is also of the opinion that, under existing statutes, interest on the Series 2009A Bonds is exempt from personal income taxes imposed by the State of New York and political subdivisions thereof, including The City of New York and the City of Yonkers. For a more complete discussion of the tax aspects, see "PART 11 - TAX MATTERS" herein.

The Series 2009A Bonds are offered when, as and if issued and received by the Underwriters. The offer of the Series 2009A Bonds may be subject to prior sale, or may be withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Hiscock & Barclay LLP, Albany, New York, Bond Counsel to the Authority, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by Nixon Peabody LLP, New York, New York and Law Offices of Joseph C. Reid, P.A, New York, New York, Counsel to the Underwriters. Lamont Financial Services Corporation is serving as Financial Advisor in connection with the issuance of the Series 2009A Bonds. The Authority expects to deliver the Series 2009A Bonds in definitive form in New York, New York, on or about November 19, 2009.

Siebert Brandford Shank & Co., LLC

Cabrera Capital Markets, LLC **Fidelity Capital Markets**

Janney Montgomery Scott **J.P. Morgan** **Merrill Lynch & Co.**

Piper Jaffray & Co. **Raymond James & Associates, Inc.**

November 10, 2009

$100,120,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
LEASE REVENUE BONDS
(STATE UNIVERSITY DORMITORY FACILITIES ISSUE), SERIES 2009A

Due July 1,	Amount	Interest Rate	Price or Yield	CUSIP[(1)]
2010	$ 150,000	2.00%	0.57%	64990HAA8
2011	1,015,000	3.00	0.98	64990HAB6
2012	2,215,000	3.00	1.38	64990HAC4
2013	3,160,000	3.00	1.81	64990HAD2
2014	3,250,000	4.00	2.28	64990HAE0
2015	2,085,000	4.00	2.71	64990HAF7
2015	1,310,000	5.00	2.71	64990HAT7
2016	1,250,000	3.00	100	64990HAU4
2016	2,310,000	4.00	3.00	64990HAG5
2017	1,770,000	4.50	3.24	64990HAH3
2017	1,895,000	5.00	3.24	64990HAV2
2018	2,805,000	4.50	3.44	64990HAJ9
2018	1,045,000	5.00	3.44	64990HAY6
2019	2,445,000	4.50	3.60	64990HAK6
2019	1,575,000	5.00	3.60	64990HAW0
2020	4,205,000	5.00	3.81*	64990HAL4
2021	4,440,000	5.25	3.94*	64990HAM2
2022	4,660,000	5.25	4.03*	64990HAN0
2023	4,900,000	5.25	4.10*	64990HAP5
2024	2,840,000	4.25	100	64990HAQ3
2024	2,310,000	5.25	4.17*	64990HAX8

$12,355,000 5.25% Series 2009A Term Bonds Due July 1, 2029 to Yield 4.47%* CUSIP Number[(1)] 64990HAR1
$36,130,000 5.00% Series 2009A Term Bonds Due July 1, 2039 Price 100% CUSIP Number[(1)] 64990HAS9

* Priced to the first par call on July 1, 2019

(1) Copyright 2007, American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2009A Bonds. None of the Authority, the State, the University or the Underwriters are responsible for the selection or uses of these CUSIP numbers and no representation is made as to their correctness on the Series 2009A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2009A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2009A Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority, the State or the University to give any information or to make any representations with respect to the Series 2009A Bonds other than those contained in this Official Statement. If given or made, such information or representations must not be relied upon as having been authorized by the Authority, the State or the University.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2009A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

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

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

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

IN CONNECTION WITH THE OFFERING OF THE SERIES 2009A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2009A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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(STATE UNIVERSITY DORMITORY FACILITIES ISSUE), SERIES 2009A

PART 1 – INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page, the inside cover page and appendices, is to provide information about the Authority, the University and the State, all in connection with the offering by the Authority of $100,120,000 principal amount of its Lease Revenue Bonds (State University Dormitory Facilities Issue), Series 2009A (the "Series 2009A Bonds"). The definitions of certain of the terms used in this Official Statement appear in Appendix A to this Official Statement.

Purpose of the Issue

The proceeds of the Series 2009A Bonds will be applied as follows: (a) for deposit in the Construction Fund, an amount, together with certain investment earnings thereon, sufficient to pay Costs of the Project; (b) to fund capitalized interest on the Series 2009A Bonds; and (c) to pay the Costs of Issuance of the Series 2009A Bonds. See "PART 5 - ESTIMATED SOURCES AND USES OF FUNDS" and "PART 6 - THE PROJECT".

Authorization of Issuance

The Series 2009A Bonds will be issued pursuant to the Resolution, the Series 2009A Resolution and the Act. In addition to the Series 2009A Bonds, the Resolution authorizes the issuance of other Series of Bonds to finance the costs of certain Projects, the refunding of certain obligations of the Authority and other Costs of the Project and for such other purposes as are authorized by the Resolution. All Bonds issued under the Resolution will rank on a parity with each other and will be secured equally and ratably with each other. As of September 30, 2009, the Authority had issued nineteen other Series of Bonds under the Resolution, of which $943,590,000 was Outstanding.

Payment of and Security for the Bonds

The Bonds, including the Series 2009A Bonds, are special obligations of the Authority payable from amounts to be paid annually to the Authority (the "Basic Rent") by the University pursuant to a Lease and Agreement (the "Agreement") between the Authority and the University dated as of September 20, 1995, as amended and restated as of September 24, 2003, as otherwise provided by the Resolution and from all funds and accounts (other than the Arbitrage Rebate Fund and any fund established for the payment of the purchase price or Redemption Price of Option Bonds tendered or deemed tendered for purchase) established pursuant to the Resolution. See "PART 3 - SOURCES OF PAYMENT AND SECURITY FOR THE BONDS".

The Authority has no taxing power. The Series 2009A Bonds will not be a debt of the State or the University. Neither the State nor the University will be liable thereon.

The Project

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

The Authority

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

The University and the State

The University is a corporate entity created by the State Legislature within the Education Department of the State of New York and under the State Board of Regents. The University has campuses across the entire State and is more fully described under the heading “PART 7 - THE STATE UNIVERSITY OF NEW YORK”. In carrying out its responsibilities and in order to operate and maintain its facilities, the University receives moneys from various sources, a substantial portion of which consists of annual appropriations of State funds. The successful maintenance and operation of the facilities of the University (including the Project) and the overall financial viability of the University are dependent upon the ability and the willingness of the State Legislature to continue making appropriations of State funds in the amounts required for the operation of the University. The security and marketability of the Series 2009A Bonds are dependent upon the continued operation and overall viability of the University. For a discussion relating to the State, see “Appendix B – Information Concerning the State of New York”.

Dormitory Income Account - Revenues

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

Information and Certifications

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

PART 2 - DESCRIPTION OF THE SERIES 2009A BONDS

General Description

The Series 2009A Bonds will be issued pursuant to the Act, the Resolution and the Series 2009A Resolution. The Series 2009A Bonds will be dated the date of delivery, will bear interest from that date (payable July 1, 2010 and on each January 1 and July 1 thereafter) at the rates per annum and will mature on July 1 of each of the designated years in the principal amounts shown on the inside cover page of this Official Statement.

The Series 2009A Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Series 2009A Bonds will initially be registered in the name of Cede & Co., as nominee of DTC (defined under “Book-Entry Only System” below) pursuant to DTC’s Book-Entry Only System. Purchases of beneficial interests in the Series 2009A Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2009A Bonds, the Series 2009A Bonds will be exchangeable for other fully registered Series 2009A Bonds in any other authorized denominations of the same maturity without charge except for the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. See “Book-Entry Only System” below.

Interest on the Series 2009A Bonds will be payable by check mailed to the registered owners thereof as their names appear on the registration books of the Authority at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding the applicable interest payment date. The principal or Redemption Price of the Series 2009A Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of the Trustee and Paying Agent. As long as the Series 2009A Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See "Book-Entry Only System" below.

Redemption and Purchase in Lieu of Redemption Provisions

The Series 2009A Bonds are subject to optional and mandatory redemption and to purchase in lieu of optional redemption as described below.

Optional Redemption

The Series 2009A Bonds maturing on or before July 1, 2019 are not subject to redemption prior to maturity. The Series 2009A Bonds maturing after July 1, 2019 are subject to redemption prior to maturity, at the election or direction of the Authority, beginning on or after July 1, 2019, in any order, in whole or in part, at any time, at par plus accrued interest to the date of redemption.

Mandatory Redemption

In addition, the Series 2009A Bonds maturing on July 1, 2029 and July 1, 2039 are also subject to redemption, in part, on each July 1 of the years and in the respective principal amounts set forth below, at 100% of the principal amount thereof, plus accrued interest to the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem on July 1 of each year the principal amount of the Series 2009A Bonds specified for each of the years shown below:

Series 2009A Bonds Maturing on July 1, 2029		Series 2009A Bonds Maturing on July 1, 2039	
Year	Principal Amount	Year	Principal Amount
2025	$2,225,000	2030	$2,875,000
2026	2,340,000	2031	3,015,000
2027	2,465,000	2032	3,165,000
2028	2,590,000	2033	3,325,000
2029†	2,735,000	2034	3,490,000
		2035	3,665,000
		2036	3,850,000
		2037	4,050,000
		2038	4,240,000
		2039†	4,455,000

† Final Maturity

The Authority may from time to time direct the Trustee to purchase Series 2009A Bonds with moneys set aside for redemption in the Debt Service Fund, at or below par plus accrued interest to the date of such purchase, and apply any Series 2009A Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of required Sinking Fund Installments on the Series 2009A Bonds of the same maturity. To the extent the Authority's obligation to make Sinking Fund Installments in a particular year is fulfilled through such purchases, the likelihood of redemption through mandatory Sinking Fund Installments of any Bondholder's Series 2009A Bonds of the maturity so purchased will be reduced for such year.

Selection of Series 2009A Bonds to be Redeemed

In the case of Series 2009A Bonds to be redeemed at the election or direction of the Authority, the Authority will select the principal amounts and maturities of the Series 2009A Bonds to be redeemed. If less than all of the Series 2009A Bonds of a maturity are to be redeemed, the Series 2009A Bonds of such maturity to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee shall consider proper in its discretion and as prescribed in the Resolution. DTC has informed the Authority that so long as DTC acts as securities depository for the Series 2009A Bonds of a maturity, if less than all of the Series 2009A Bonds of such maturity are called for redemption, the particular Series 2009A Bonds or portions thereof to be redeemed will be selected by lot by DTC and the DTC Participants in accordance with their procedures.

Notice of Redemption

Notice of the redemption of the Series 2009A Bonds will be given by the Trustee in the name of the Authority to the registered owners of the Series 2009A Bonds to be redeemed by first-class mail, postage prepaid, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, or such shorter period provided for in a Series Resolution or a Bond Series Certificate relating to Variable Interest Rate Bonds, but the failure of any registered owners to receive notice mailed in accordance with the Resolution shall not affect the validity of the proceedings for the redemption of the Series 2009A Bonds. Notice may be given by publication once in an Authorized Newspaper, such publication to be not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, or such shorter period as is provided for in a Series Resolution or a Bond Series Certificate relating to Variable Interest Rate Bonds, but such publication shall not be a condition precedent to redemption, and failure to so publish or a defect in such notice or in the publication thereof shall not affect the validity of the proceedings for the redemption of the Series 2009A Bonds. Any such notice may contain conditions to the Authority's obligation to redeem the Series 2009A Bonds. See "Appendix E – Summary of Certain Provisions of the Resolution".

If, on the redemption date, moneys for the redemption of the Series 2009A Bonds of like maturity to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the Redemption Price and if notice has been mailed and the conditions, if any, to such redemption have been satisfied or waived by the Authority, then interest on the Series 2009A Bonds of such maturity will cease to accrue from and after the redemption date and such Series 2009A Bonds will no longer be considered to be Outstanding under the Resolution.

Purchase In Lieu of Optional Redemption Provisions

The Series 2009A Bonds maturing after July 1, 2019 are also subject to purchase prior to maturity, at the election of the Authority, on or after July 1, 2019, in any order, in whole or in part at any time, at par (the "Purchase Price"), plus accrued interest to the date set for purchase (the "Purchase Date") set forth in the notice of purchase to the registered owners of the Series 2009A Bonds to be so purchased.

Notice of Purchase and its Effect

Notice of the purchase of Series 2009A Bonds will be given in the name of the Authority to the registered owners of the Series 2009A Bonds to be purchased by first-class mail, postage prepaid, not less than thirty (30) days nor more than sixty (60) days prior to the Purchase Date specified in such notice. The Series 2009A Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2009A Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. Such purchase shall not operate to extinguish the indebtedness of the Authority evidenced thereby or modify the terms of the Series 2009A Bonds and such Series 2009A Bonds need not be cancelled, but shall remain Outstanding under the Resolution and in such case shall continue to bear interest.

The Authority's obligation to purchase a Series 2009A Bond to be purchased or cause it to be purchased is conditioned upon the availability of sufficient money to pay the Purchase Price for all of the Series 2009A Bonds to be purchased on the Purchase Date. If sufficient money is available on the Purchase Date to pay the Purchase Price of the Series 2009A Bonds to be purchased, the former registered owners of such Series 2009A Bonds will have no claim thereunder or under the Resolution or otherwise for payment of any amount other than the Purchase Price. If sufficient money is not available on the Purchase Date for payment of the Purchase Price, the Series 2009A Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the Purchase Date, who will be entitled to the payment of the principal of and interest on such Series 2009A Bonds in accordance with their respective terms.

In the event not all of the Outstanding Series 2009A Bonds of a maturity are to be purchased, the Series 2009A Bonds of such maturity to be purchased will be selected by lot in the same manner as Series 2009A Bonds of a maturity to be redeemed in part are to be selected.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2009A Bonds. The Series 2009A 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 2009A Bond certificate will be issued for each maturity of the Series 2009A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2009A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2009A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2009A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in any Series of the Series 2009A Bonds, except in the event that use of the book entry system for a Series of the Series 2009A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009A 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 2009A 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 2009A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity of the Series 2009A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other nominee) will consent or vote with respect to Series 2009A Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2009A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2009A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its service as securities depository with respect to the Series 2009A Bonds at any time by giving notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the Series 2009A Bond certificates are required to be delivered as described in the Resolution.

The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Series 2009A Bonds if the Authority determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2009A Bonds, or (ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of Beneficial Owners. In the event that no substitute securities depository is found by the Authority or restricted registration is not in effect, Series 2009A Bond certificates will be delivered as described in the Resolution.

Each person for whom a Participant acquires an interest in the Series 2009A Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2009A BONDS.

So long as Cede & Co. is the registered owner of the Series 2009A Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2009A 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 2009A Bonds.

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

For every transfer and exchange of Series 2009A Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

PART 3 - SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

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

General

The Bonds issued under the Resolution, including the Series 2009A Bonds, are special obligations of the Authority payable solely from the Revenues. The Revenues consist of the Basic Rent payable by the University to the Authority under the Agreement and all rents, income and profits from the operation, reletting or sale of the Facilities upon the Authority's reentry upon the Facilities. The Revenues and the right to receive them have been pledged to the Trustee for the benefit of the Holders of the Bonds, including the Series 2009A Bonds. The Authority reserves the right to issue bonds under separate resolutions which would be payable on a parity basis with the Bonds, including the Series 2009A Bonds.

The Authority has no taxing power. The Bonds, including the Series 2009A Bonds, are not a debt of the State or the University nor shall the State or the University be liable thereon.

Payment of the Bonds

The Bonds, including the Series 2009A Bonds, are special obligations of the Authority payable primarily from the Basic Rent. Basic Rent is one of the major components of Rentals, which are amounts required to be paid as described hereafter to the Authority by the University pursuant to the Agreement.

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

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

Payment of Rentals

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

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

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

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

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

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

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

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

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

Security for the Bonds

Payment of the principal, Sinking Fund Installments and interest on the Bonds, including the Series 2009A Bonds, will be secured by the Revenues, proceeds from the sale of Bonds, and by all funds and accounts established under the Resolution (with the exception of the Arbitrage Rebate Fund and any fund established for the payment of the purchase price or Redemption Price of Option Bonds tendered or deemed tendered for purchase). The security for the Series 2009A Bonds will be for the benefit of all other Bonds issued under the Resolution, which Bonds will rank on a parity and be secured equally and ratably with each other and with the Series 2009A Bonds. The aggregate principal amount of Bonds which may be issued pursuant to the Resolution is not limited except as so provided in the Resolution and the Act.

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

Ability to Grant Rights to Providers of Credit Facilities

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

Defaults and Remedies Under the Agreement

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

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

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

Dormitory Income Account - Moneys Available to Pay Authority Debt Service

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

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

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

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

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

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

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

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

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

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

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

State University of New York
Summary of Dormitory Operations
($ in millions)

	2004-05	2005-06	2006-07	2007-08	2008-09
Beginning Cash Balance at July 1	$56.6	$57.4	$77.4	$103.4	$120.1
Revenue					
Room Rental Income	$297.5	$323.5	$350.9	$377.2	$401.1
Miscellaneous & Transfers	36.0	29.9	35.5	46.4	28.8
Total Revenues	$333.5	$353.4	$386.4	$423.6	$429.9
Expenditures					
Dormitory Operations	$226.7	$244.1	$256.6	$276.3	$284.3
Debt Service Payments	56.6	55.0	60.6	70.0	77.5
Other Programs & Transfers	49.4	34.3	43.2	60.6	55.5
Total Expenditures	$332.7	$333.4	$360.4	$406.9	$417.3
Ending Cash Balance at June 30	$57.4	$77.4	$103.4	$120.1	$132.7

The Residence Hall Rehabilitation Fund, held by the State Comptroller, has been used by the University to account for operation, maintenance and repair of dormitory facilities. The Residence Hall Rehabilitation Fund has been funded over time from the Dormitory Income Account as part of the Net Transfers shown in the table above, and at June 30, 2009 contained approximately $91.8 million. The Residence Hall Rehabilitation Fund is subject to the same purposes and limitations described above.

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

As the increasing pattern of revenues from dormitory income sources demonstrates, the University has been able to sustain an acceptable rate of dormitory utilization during the past several years. Utilization statistics for the Fall 2008 semester show the University utilized 96.7% of available revenue producing beds. Several campuses had more students in residence than the design occupancy of the facilities, requiring conditions whereby more students are assigned to rooms than the original designs specified. The following table presents the Fall occupancy utilization rate for all University dorms for the past six fiscal years.

State University of New York
Fall Occupancy Statistics

	Revenue Producing		
Fall Semester	**Beds Available**	**Beds Utilization**	**Occupancy Rate Percentage**
2003	67,904	64,842	95.5%
2004	69,439	67,677	97.5%
2005	70,967	68,632	96.7%
2006	72,672	70,354	96.8%
2007	73,923	71,605	96.9%
2008	75,202	72,741	96.7%

PART 4 - DEBT SERVICE REQUIREMENTS FOR THE SERIES 2009A BONDS

The following table sets forth, for each fiscal year ending June 30, the amounts, rounded to the nearest dollar, required to be made available in such fiscal year for the payment of the principal, including Sinking Fund Installments, of and interest on the Series 2009A Bonds, debt service on other Outstanding Bonds and the total debt service for all such Bonds Outstanding under the Resolution. The principal of the Bonds matures on each July 1 one day following the close of the respective fiscal years listed.

Year	Series 2009A Principal Payments	Series 2009A Interest Payments	Total Debt Service on the Series 2009A Bonds	Other Outstanding Bonds Debt Service[(1)]	Total Debt Service[(1)]
2010	$150,000	$2,952,299	$3,102,299	$78,104,668	$81,206,967
2011	1,015,000	4,784,513	5,799,513	79,121,256	84,920,769
2012	2,215,000	4,754,063	6,969,063	79,439,831	86,408,894
2013	3,160,000	4,687,613	7,847,613	79,440,168	87,287,781
2014	3,250,000	4,592,813	7,842,813	75,884,409	83,727,222
2015	3,395,000	4,462,813	7,857,813	73,721,405	81,579,218
2016	3,560,000	4,313,913	7,873,913	72,659,099	80,533,012
2017	3,665,000	4,184,013	7,849,013	70,811,616	78,660,629
2018	3,850,000	4,009,613	7,859,613	69,764,755	77,624,368
2019	4,020,000	3,831,138	7,851,138	67,323,135	75,174,273
2020	4,205,000	3,642,363	7,847,363	66,213,070	74,060,433
2021	4,440,000	3,432,113	7,872,113	63,970,667	71,842,780
2022	4,660,000	3,199,013	7,859,013	60,777,931	68,636,944
2023	4,900,000	2,954,363	7,854,363	57,046,608	64,900,971
2024	5,150,000	2,697,113	7,847,113	53,593,625	61,440,738
2025	2,225,000	2,455,138	4,680,138	53,408,864	58,089,002
2026	2,340,000	2,338,325	4,678,325	53,399,045	58,077,370
2027	2,465,000	2,215,475	4,680,475	53,414,377	58,094,852
2028	2,590,000	2,086,063	4,676,063	51,697,932	56,373,995
2029	2,735,000	1,950,088	4,685,088	48,737,733	53,422,821
2030	2,875,000	1,806,500	4,681,500	44,338,639	49,020,139
2031	3,015,000	1,662,750	4,677,750	41,899,556	46,577,306
2032	3,165,000	1,512,000	4,677,000	35,901,373	40,578,373
2033	3,325,000	1,353,750	4,678,750	26,938,150	31,616,900
2034	3,490,000	1,187,500	4,677,500	23,767,425	28,444,925
2035	3,665,000	1,013,000	4,678,000	20,417,150	25,095,150
2036	3,850,000	829,750	4,679,750	16,620,000	21,299,750
2037	4,050,000	637,250	4,687,250	13,477,750	18,165,000
2038	4,240,000	434,750	4,674,750	6,305,250	10,980,000
2039	4,455,000	222,750	4,677,750	-	4,677,750
Total	**$100,120,000**	**$80,202,837**	**$180,322,837**	**$1,538,195,487**	**$1,718,518,324**

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

PART 5 - ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds relating to the Series 2009A Bonds are as follows:

Sources of Funds	
Principal Amount of the Series 2009A Bonds	$100,120,000
Net Reoffering Premium	4,697,520
Total Sources	$104,817,520
Uses of Funds	
Deposit to Construction Fund	$94,210,000
Capitalized Interest	9,017,941
Costs of Issuance	1,035,855
Underwriters' Discount	553,724
Total Uses	$104,817,520

PART 6 - THE PROJECT

The Project consists of various Facilities which have been financed or may be financed in the future by the Authority for the University with the proceeds of bonds or notes issued under the Resolution. The Facilities constituting a part of the Project are numerous dormitory facilities for students and others at the University, and related and attendant facilities. Bonds may be issued from time to time to construct additional buildings which would be added to the Project. Bonds may also be issued for purposes of extraordinary maintenance, repair and replacement of existing buildings currently a part of the Project. Although the proceeds of the Series 2009A Bonds may be expended on any Facility, the University anticipates that proceeds of the Series 2009A Bonds will finance new Facilities and/or renovations to existing Facilities at Albany University, Binghamton University, Brockport, Buffalo University, Canton, Cobleskill, Cortland, Delhi, Morrisville, New Paltz, Oneonta, Oswego, Potsdam, Stony Brook University and Utica/Rome.

PART 7 - THE STATE UNIVERSITY OF NEW YORK

General

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

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

Colleges and in 1987 were redesignated either Colleges of Technology or Colleges of Agriculture and Technology. Two additional colleges of arts and science were opened in 1968, the State University College at Old Westbury and the State University College at Purchase.

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

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

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

The University has actively assisted in the development of 30 locally-sponsored two-year community colleges. These colleges are designed to provide postsecondary education for students whose needs would not ordinarily be met by a traditional four-year college curriculum and to provide general courses for students who wish to transfer after completing the community college program to institutions providing a traditional four-year college program. The community colleges are established by cities or counties acting with the approval of the local legislative body and the University Board of Trustees. The exceptions are Corning Community College and Jamestown Community College which are administered by regional boards of trustees and the University's Board of Trustees. The community colleges are subject to the general supervision of the University in matters relating to curriculum and are eligible to receive State financial assistance in an amount not to exceed one-half of the costs of capital construction and two-fifths of the annual operating costs if the college is implementing a program of full opportunity approved by the University's Board of Trustees and meets other criteria. As of the Fall of 2009, approximately 146,038 students are expected to be enrolled on a full-time basis in community colleges and another 96,704 students are expected to be enrolled on a part-time basis.

Operating Units

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

UNIVERSITY CENTERS

State University of New York at Albany*

State University of New York at Binghamton*

State University of New York at Buffalo*

State University of New York at Stony Brook*

HEALTH SCIENCES CENTERS

Health Science Center at Brooklyn*

Health Science Center at Syracuse*

Health Science Center at Buffalo University Center*

Health Science Center at Stony Brook University Center*

UNIVERSITY COLLEGES

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

SPECIALIZED COLLEGES

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

COLLEGES OF TECHNOLOGY

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

STATUTORY COLLEGES**

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

OTHER INSTITUTIONS

Agricultural Experimental Station at Geneva

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

Enrollment

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

Selected Fall Headcount
Enrollment Statistics

	2005	2006	2007	2008	2009*
Full-Time					
Undergraduate	143,428	147,128	149,700	153,441	157,348
Graduate	20,774	22,523	22,857	22,830	23,197
Part-Time	41,595	38,865	40,712	42,257	41,694
Total Enrollment	205,797	208,516	213,269	218,528	222,239

* Preliminary.

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

Selected Average Annual Enrollment Statistics

	2005-06	2006-07	2007-08	2008-09*	2009-10**
Full-Time					
Undergraduate	137,458	140,225	144,347	147,612	152,434
Graduate	29,670	22,378	22,820	22,690	23,237
Part-Time	18,758	17,634	18,580	19,310	18,026
Total FTE Enrollment	176,886	180,237	185,747	189,612	193,697

* Not finalized.
** Preliminary.

Fiscal Structure

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

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

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

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

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

Comparative Financial Information

Attached as "Appendix C - Information on the State University of New York" are the Schedules of Revenues, Expenses, and Changes in Net Assets for each of the fiscal years ended June 30, 2005 through June 30, 2009. The financial information contained in the Financial Schedules was derived from the audited financial statements of the University for the respective fiscal years ended June 30. The audited financial statements can be obtained by contacting the Office of the University Controller at (518) 443-5463.

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

Appropriations of State Funds to the University

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

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

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

State-Funded University Appropriations

Fiscal Year	Appropriated from State Purposes Account
2005-06	$1,017,924,000
2006-07	1,212,440,000
2007-08	1,340,363,000
2008-09	1,255,125,000*
2009-10	1,223,540,000**

*Available State support net of one-time collective bargaining funding.

**State-supported appropriation will be reduced by $90 million due to mid-year reductions in the State budget.

In prior years, the University experienced operating cash flow deficits precipitated by cash flow difficulties at its hospitals. In connection with these cash-flow deficits, as authorized by the State Finance Law, the University borrowed funds with interest from the short-term investment pool (STIP) of the State. An agreement was reached between the University and the State to jointly repay the total shortfall over a period of seven to nine years. The repayment is not expected to adversely affect ongoing operations of the University. As of June 30, 2009, the amount outstanding under this borrowing was $85.9 million. During the 2008-09 fiscal year, the amount paid on the borrowing was $25.6 million.

Tuition and Other Unrestricted Revenue

For the 2009 Fall semester, the tuition schedule for State residents is $4,970 per year for all undergraduates; $8,370 for graduate students; $16,620 for students of pharmacy; $16,010 for students of law; $22,800 for students of medicine; $19,650 for students of dentistry; $16,520 for students of optometry; $13,850 for students in the professional programs of physical therapy and nursing; and $8,610 for students in the MBA program. For University students who do not reside in New York State, such schedule is $12,870 for undergraduates (except that non-resident associate degree students at the Colleges of Technology will be charged $8,750 per year); $13,250 for graduate students; $28,750 for students of pharmacy; $24,260 for students of law; $40,640 for students of medicine; $39,420 for students of dentistry; $31,720 for students of optometry; $22,190 for students in the professional programs of physical therapy and nursing; and $13,760 for students in the MBA program. There are various tuition charges for students taking classes at off-campus locations during the summer or winter recesses. Tuition charges are fixed by the Trustees of the University and remain in effect until changed by the Trustees. In addition, there are other miscellaneous charges. *The receipts from such tuition charges and other miscellaneous charges are not pledged to the payment of the Rentals payable to the Authority under the Agreement.*

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

Tuition and Other Unrestricted Revenue
(in thousands)

	2004-05	2005-06	2006-07	2007-08	Preliminary 2008-09
Tuition and fees*	$ 1,174,057	$ 1,200,791	$ 1,244,601	$ 1,284,276	$ 1,407,900
State appropriations for operations**	1,535,274	1,925,341	2,109,515	2,364,114	2,342,523
University Hospital and clinics	1,288,686	1,430,623	1,621,458	1,595,895	1,723,164
Food service*	184,847	199,659	211,386	227,753	243,307
Other auxiliary*	188,490	198,575	210,960	227,145	235,542
Interest and other unres. revenue	120,373	135,369	191,480	196,892	113,129
Total	$ 4,491,727	$ 5,090,358	$ 5,589,400	$ 5,896,075	$ 6,065,565

* Gross, includes scholarship allowances applied.
** Excludes debt service appropriation for the University's Educational Facilities.

Outstanding Debt

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

University Debt Activity
(in thousands)

	2004-05	2005-06*	2006-07	2007-08	2008-09
Dormitory Authority-Residence Facilities Long-term (Bonds)					
Outstanding Beginning of Period	$ 589,770	$ 633,780	$ 687,660	$ 752,200	$873,355
Issued During Period	63,355	181,965	87,430	145,405	129,375
Retired During Period	(19,345)	(128,085)	(22,890)	(24,250)	(27,390)
Refunding	-	-	-	-	-
Outstanding End of Period	$ 633,780	$ 687,660	$752,200	$873,355	$974,760
Dormitory Authority-Educational Facilities Long-term (Bonds)					
Outstanding Beginning of Period	$ 4,287,613	$ 4,147,612	$ 4,465,883	$ 4,549,253	$4,782,950
Issued During Period	39,350	479,975	472,577	418,105	508,412
Retired During Period	(527,171)	(161,704)	(163,002)	(184,408)	(229,032)
Refunding	347,820	-	-	-	34,400
Special Defeasance	-	-	(226,205)	-	-
Outstanding End of Period	$ 4,147,612	$4,465,883	$4,549,253	$4,782,950	$5,096,730

*Educational Facilities have been reclassified.

Construction at the University

The University construction program expended $645 million in 2008-09 for both educational and residential facility construction. Of this amount, approximately $623 million was financed from State appropriated funds and approximately $22 million from campus funds.

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

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

University Construction Receipts and Disbursements
(in thousands)

	2004-05	2005-06	2006-07	2007-08	2008-09
RECEIPTS:					
New York State	$ 377,143	$ 400,580	$ 512,502	$ 589,688	$ 623,176
Campus Fund	15,863	20,841	21,182	12,418	22,292
Total	$ 393,006	$ 421,421	$ 533,684	$ 602,106	$ 645,468
DISBURSEMENTS*					
Academic Program	$ 235,648	$ 323,648	$ 443,864	$ 501,799	$ 537,931
Residential Program	157,358	97,773	89,820	100,307	107,537
Total	$ 393,006	$ 421,421	$ 533,684	$ 602,106	$ 645,468

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

Litigation

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

PART 8 - THE AUTHORITY

Background, Purposes and Powers

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

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

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

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

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

At September 30, 2009, the Authority had approximately $40.5 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority's bonds and notes is paid from moneys received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

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

The total amounts of the Authority bonds and notes (excluding debt of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act) outstanding at September 30, 2009 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
State University of New York Dormitory Facilities	$ 2,250,196,000	$ 943,590,000	$ 0	$ 943,590,000
State University of New York Educational and Athletic Facilities	13,243,272,999	5,698,118,149	0	5,698,118,149
Upstate Community Colleges of the State University of New York	1,590,645,000	666,520,000	0	666,520,000
Senior Colleges of the City University of New York	9,935,931,762	3,040,924,213	0	3,040,924,213
Community Colleges of the City University of New York	2,394,073,350	494,235,787	0	494,235,787
BOCES and School Districts	2,436,626,208	1,896,100,000	0	1,896,100,000
Judicial Facilities	2,161,277,717	724,132,717	0	724,132,717
New York State Departments of Health and Education and Other	5,808,800,000	4,100,145,000	0	4,100,145,000
Mental Health Services Facilities	7,460,120,000	4,063,400,000	0	4,063,400,000
New York State Taxable Pension Bonds	773,475,000	0	0	0
Municipal Health Facilities Improvement Program	985,555,000	781,415,000	0	781,415,000
Totals Public Programs	$ 49,039,973,036	$ 22,408,580,866	$ 0	$ 22,408,580,866

Non-Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
Independent Colleges, Universities and Other Institutions	$ 17,954,180,260	$ 8,987,987,488	$ 35,975,000	$ 9,023,962,488
Voluntary Non-Profit Hospitals	13,963,224,309	8,100,385,000	0	8,100,385,000
Facilities for the Aged	1,996,020,000	925,580,000	0	925,580,000
Supplemental Higher Education Loan Financing Program	95,000,000	0	0	0
Totals Non-Public Programs	$ 34,008,424,569	$ 18,013,952,488	$ 35,975,000	$ 18,049,927,488
Grand Totals Bonds and Notes	$ 83,048,397,605	$ 40,422,533,354	$ 35,975,000	$ 40,458,508,354

Outstanding Indebtedness of the Agency Assumed by the Authority

At September 30, 2009, the Agency had approximately $344.0 million aggregate principal amount of bonds outstanding, the obligations as to all of which have been assumed by the Authority. The debt service on each such issue of bonds is paid from moneys received by the Authority (as successor to the Agency) or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue.

The total amounts of the Agency's bonds (which indebtedness was assumed by the Authority on September 1, 1995) outstanding at September 30, 2009 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	$ 3,255,000
Insured Mortgage Programs	6,625,079,927	333,035,000
Revenue Bonds, Secured Loan and Other Programs	2,414,240,000	7,670,000
Total Non-Public Programs	$ 9,265,549,927	$ 343,960,000
Total MCFFA Outstanding Debt	$ 13,082,780,652	$ 343,960,000

Governance

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

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

The current members of the Authority are as follows:

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

Alfonso L. Carney, Jr. was appointed as a Member of the Authority by the Governor on May 20, 2009. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical and legal consulting services in New York City. Consulting for the firm in 2005, he served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he directed overall staff management of the foundation, and provided strategic oversight of the administration, communications and legal affairs teams, and developed selected foundation program initiatives. Prior to this, Mr. Carney held several positions with Altria Corporate Services, Inc., most recently as Vice President and Associate General Counsel for Corporate and Government Affairs. Prior to that, Mr. Carney served as Assistant Secretary of Philip Morris Companies Inc. and Corporate Secretary of Philip Morris Management Corp. For eight years, Mr. Carney was Senior International Counsel first for General Foods Corporation and later for Kraft Foods, Inc. and previously served as Trade Regulation Counsel, Assistant Litigation Counsel and Federal Government Relations Counsel for General Foods, where he began his legal career in 1975 as a Division Attorney. Mr. Carney is a trustee of Trinity College, the University of Virginia Law School Foundation, the Riverdale Country School and the Virginia Museum of Fine Arts in Richmond. In addition, he is a trustee of the Burke Rehabilitation Hospital in White Plains. Mr. Carney holds a Bachelors degree in Philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His current term expires on March 31, 2010.

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

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on June 20, 2007. Mr. Johnson is Chairman of the Board and Chief Executive Officer of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He is director of the New York Newspapers Foundation, a member of the Development Authority of the North Country and the Fort Drum Regional Liaison Committee, a trustee of Clarkson University and president of the Bugbee Housing Development Corporation. Mr. Johnson has been a member of the American Society of Newspaper Editors since 1978, and was a Pulitzer Prize juror in 1978, 1979, 2001 and 2002. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2010.

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

Jacques Jiha was appointed as a Member of the Authority by the Governor on December 15, 2008. Mr. Jiha is an Executive Vice President and the Chief Financial Officer of Earl G. Graves, Ltd., a multi-media company that includes *Black Enterprise* magazine. He is also a member of the Investment Advisory Committee of the New York Common Retirement Fund. Mr. Jiha has previously served as Deputy Comptroller for Pension Investment and Public Finance in the Office of the New York State Comptroller and as Co-Executive Director of the New York Local Government Assistance Corporation (LGAC). Prior thereto, Mr. Jiha was Nassau County Deputy Comptroller for Audits and Finances. He also worked for the New York City Office of the Comptroller in increasingly responsible positions: first as Chief Economist and later as Deputy Comptroller for Budget. Mr. Jiha has served as Executive Director of the New York State Legislative Tax Study Commission and as Principal Economist for the New York State Assembly Committee on Ways and Means. He holds a Ph.D. and a Master's degree in Economics from the New School University and a Bachelor's degree in Economics from Fordham University. His current term expires on March 31, 2010.

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-1980s. Mr. Ruder is a member of the board of the New York State Foundation for Science, Technology and Academic Research (NYSTAR), and also serves as chair of the board of the Adirondack Council, board member and secretary of the New York Metro Chapter of the World Presidents' Organization, and an advisory board member of PNC Private Client Advisors. Mr. Ruder earned a Bachelor of Arts degree in American History in 1976 from Washington University in St. Louis, Mo., and a Master of Business Administration degree in Marketing in 1978 from the Tuck School at Dartmouth College. His current term expired on March 31, 2009 and by law he continues to serve until a successor shall be chosen and qualified.

ANTHONY B. MARTINO, CPA, Buffalo.

Mr. Martino was appointed as a Member of the Authority by the Governor on December 15, 2008. A certified public accountant with more than 37 years of experience, Mr. Martino is a retired partner of the Buffalo CPA firm Lumsden & McCormick, LLP. He began his career at Price Waterhouse where he worked in the firm's Buffalo and Washington, DC, offices. Mr. Martino is a member of the American Institute of CPAs and the New York State Society of CPAs. Long involved in community organizations, he serves on the boards of the Buffalo Niagara Medical Campus as Vice Chairman, Mount Calvary Cemetery as Chair of the Investment Committee, Cradle Beach Camp of which he is a former Chair, the Kelly for Kids Foundation and Key Bank. Mr. Martino received a Bachelor of Science degree in accounting from the University at Buffalo. Mr. Martino's current term expires on August 31, 2010.

SANDRA M. SHAPARD, Delmar.

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

GERARD ROMSKI, Esq., Mount Kisco.

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

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

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

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

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

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

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

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

Mr. Megna was appointed Budget Director on June 15, 2009. He is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio, as well as pensions and employee benefits. Mr. Megna previously served as Commissioner of the

New York State Department of Taxation and Finance, responsible for overseeing the collection and accounting of more than $90 billion in State and local taxes, the administration of State and local taxes, including New York City and the City of Yonkers income taxes and the processing of tax returns, registrations and associated documents. Prior to this he served as head of the Economic and Revenue Unit of the New York State Division of the Budget where he was responsible for State Budget revenue projections and the development and monitoring of the State Financial Plan. Mr. Megna was Assistant Commissioner for Tax Policy for the Commonwealth of Virginia. He also served as Director of Tax Studies for the New York State Department of Taxation and Finance and as Deputy Director of Fiscal Studies for the Ways and Means Committee of the New York State Assembly. Mr. Megna was also an economist for AT&T. He holds Masters degrees in Public Policy from Fordham University and Economics from the London School of Economics.

The principal staff of the Authority is as follows:

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

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

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

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

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

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

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

Claims and Litigation

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

Other Matters

New York State Public Authorities Control Board

The New York State Public Authorities Control Board (the "PACB") has authority to approve the financing and construction of any new or reactivated projects proposed by the Authority and certain other public authorities of the State. The PACB approves the proposed new projects only upon its determination that there are commitments of funds sufficient to finance the acquisition and construction of the projects. The Authority has obtained the approval of the PACB for the issuance of the Series 2009A Bonds.

Legislation

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

Environmental Quality Review

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

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of the Authority for the fiscal year ended March 31, 2009. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 9 - LEGALITY OF THE SERIES 2009A BONDS FOR INVESTMENT AND DEPOSIT

The Act provides that the Series 2009A Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control. However, enabling legislation or bond resolutions of individual authorities of the State may limit the investment of funds of such authorities in the Series 2009A Bonds.

The Series 2009A Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 10 - NEGOTIABLE INSTRUMENTS

The Series 2009A Bonds shall be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution and in the Series 2009A Bonds.

PART 11 - TAX MATTERS

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and interest on the Series 2009A Bonds is not treated as a preference item in calculating the federal alternative minimum tax imposed on individuals and corporations nor is it included in the adjusted current earnings of corporations for purposes of calculating the federal corporate alternative minimum taxable income.

The Code imposes various requirements that must be met in order that interest on the Series 2009A Bonds will be and remain excludable from gross income for federal income tax purposes. Included among these requirements are restrictions on the investment and use of proceeds of the Series 2009A Bonds and the rebate of certain earnings in respect of such investments to the United States. Failure to comply with the requirements of the Code may cause interest on the Series 2009A Bonds to be includable in gross income for purposes of federal income tax retroactive to the date of original execution and delivery of the Series 2009A Bonds, regardless of the date on which the event causing such inclusion occurs. The Authority and the University have made certain covenants contained in the record of proceedings to comply with the requirements of the Code and have made representations in the record of proceedings addressing various matters relating to the requirements of the Code. The opinion of Bond Counsel assumes continuing compliance with such covenants as well as the accuracy of such representations made by the Authority and the University.

Certain requirements and procedures contained or referred to in the record of proceedings may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of Bond Counsel. The opinion of Hiscock & Barclay, LLP states that such firm, as Bond Counsel, expresses no opinion as to any Series 2009A Bond or the interest thereon if any such change occurs or action is taken upon the advice or approval of Bond Counsel other than Hiscock & Barclay, LLP.

Prospective purchasers of the Series 2009A Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of the Series 2009A Bonds may have collateral federal income tax consequences for certain taxpayers, including financial institutions, insurance companies, Subchapter S Corporations, certain foreign corporations, individual recipients of social security or railroad retirement benefits, individuals benefiting from the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisers as to any possible collateral consequences of their ownership of, accrual or receipt of interest on, or disposition of the Series 2009A Bonds. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences.

Interest paid on tax-exempt obligations is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. Although information reporting does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, the reporting requirement causes payment of interest on the bonds to be subject to backup withholding. Interest on the Series 2009A Bonds may be subject to backup withholding if such interest is paid to a registered owner who or which (i) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (ii) has been identified by the IRS as being subject to backup withholding. Amounts withheld under the backup withholding rules will be paid to the IRS as federal income tax withheld on behalf of the registered owner of the Series 2009A Bonds and will be allowed as a refund or credit against such owner's federal income tax liability (or the federal income tax liability of the beneficial owner of the Series 2009A Bonds, if other than the registered owner).

In the opinion of Bond Counsel, interest on the Series 2009A Bonds is exempt, under existing statutes, from personal income taxes of the State of New York and its political subdivisions, as applicable. See "Appendix F - Form of Approving Opinion of Bond Counsel". The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2009A Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the University, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Series 2009A Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Series 2009A Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of the

Series 2009A Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement. Bond Counsel further is of the opinion that, for any Series 2009A Bond having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2009A Bonds.

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

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

Bond Premium

In general, if an owner acquires a Series 2009A Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2009A Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Series 2009A Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, 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 Premium Bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of Premium Bonds should consult their own tax advisers regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership and amortization of bond premium on sale, exchange, or other disposition of Premium Bonds.

PART 12 - STATE NOT LIABLE ON THE SERIES 2009A BONDS

The Act provides that notes and bonds of the Authority shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of the Authority. The Resolution specifically provides that the Series 2009A Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 13 - COVENANT BY THE STATE

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

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

PART 14 - UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Series 2009A Bonds from the Authority at an aggregate purchase price of $104,263,796.40 and to make a public offering of the Series 2009A Bonds at prices that are not in excess of the public offering prices stated on the inside cover page of this Official Statement. The Underwriters will be obligated to purchase all such Series 2009A Bonds if any are purchased. The Series 2009A Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices or yields higher than such public offering yields, and such public offering prices or yields may be changed from time to time, by the Underwriters.

J.P. Morgan Securities Inc., one of the underwriters of the Series 2009A Bonds, has entered into an agreement (the "J.P. Morgan-UBS Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to the J.P. Morgan-UBS Distribution Agreement (if applicable for this transaction), J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Series 2009A Bonds with UBS Financial Services Inc.

Piper Jaffray & Co., ("Piper") has entered into an agreement (the "Piper-AAM Distribution Agreement") with Advisors Asset Management, Inc. ("AAM") for the distribution of certain municipal securities offerings allocated to Piper at the original offering prices. Under the Piper-AAM Distribution Agreement, if applicable to the Bonds, Piper will share with AAM a portion of the fee or commission, exclusive of management fees, paid to Piper.

PART 15 - LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2009A Bonds are subject to the approval of Hiscock & Barclay, LLP, Albany, New York, Bond Counsel to the Authority, whose approving opinion will be delivered with the Series 2009A Bonds. Certain legal matters will be passed upon for the Underwriters by their Counsels, Nixon Peabody LLP, New York, New York and Law Offices of Joseph C. Reid, P.A, New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2009A Bonds or questioning or affecting the validity of the Series 2009A Bonds or the proceedings and authority under which they are to be issued. There is no litigation pending which in any manner questions the right of the Authority to issue the Series 2009A Bonds in accordance with the provisions of the Act, the Resolution and the Agreement.

PART 16 - RATINGS

The Series 2009A Bonds are rated Aa3 by Moody's Investors Service and AA- by Standard & Poor's Ratings Services. An explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. There is no assurance that such ratings will prevail for any given period of time or that they will not be changed or withdrawn by the respective rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2009A Bonds.

PART 17 - CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), the Authority, the State and the Trustee will enter into a written agreement (the "Continuing Disclosure Agreement") for the benefit of the Holders of the Series 2009A Bonds to provide continuing disclosure. The State will undertake for the benefit of the Holders of the Series 2009A Bonds to provide the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access System ("EMMA System"), 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, 2010, financial information and operating data relating to the State of the type included in the Annual Information Statement of the State set forth in Appendix B to this Official Statement. The State also will undertake for the benefit of the Holders of the Series 2009A Bonds to provide to the MSRB through its EMMA System, on an annual basis on or before 120 days after the end of each fiscal year of the University, commencing with the fiscal year ending June 30, 2010, financial information and operating data relating to the University of the type included in this Official Statement. The financial information and operating data relating to the State and the University is referred to herein as the "Annual Information" and is described in more detail below. The State Comptroller is required by existing law to issue audited annual financial statements of the State prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") 120 days after the close of the State fiscal year, and the State will undertake to provide the State's annual financial statements prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States to the MSRB through its EMMA System, if and when such statements are available commencing with the fiscal year ending March 31, 2010. The State also will undertake to provide the University's audited financial statements to the MSRB through its EMMA System, on an annual basis on or before 120 days after the end of each fiscal year of the University, commencing with the fiscal year ending June 30, 2010. In addition, the Authority will undertake, for the benefit of the Holders of the Series 2009A Bonds, to provide to the MSRB through its EMMA System, in a timely manner, the notices described below (the "Notices").

The Annual Information shall consist of (a) financial information and operating data of the type included in this Official Statement in "PART 3 - SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" under the heading "Dormitory Income Account - Moneys Available to Pay Authority Debt Service"; in "PART 7 - THE STATE UNIVERSITY OF NEW YORK" under the headings "Enrollment", "Appropriations of State Funds to the University", "Tuition and Other Unrestricted Revenue", "Outstanding Debt", and "Construction at the University"; and in the Annual Information Statement of the State, under the headings or subheadings "Prior Fiscal Years", "Debt and Other Financing Activities", "State Government Employment", "State Retirement Systems", and "Authorities and Localities", including, more specifically, information consisting of (1) for prior fiscal years, an analysis of cash-basis results for the State's three most recent fiscal years, and a presentation of the State's results in accordance with GAAP for at least the two most recent fiscal years for which that information is then-currently available; (2) for debt and other financing activities, a description of the types of financings the State is authorized to undertake, a presentation of the outstanding debt issued by the State and certain public authorities, as well as information concerning debt service requirements on that debt; (3) for authorities and localities, information on certain public authorities and local entities whose financial status may have a material impact on the financial status of the State; and (4) material information regarding State government employment and retirement systems; and in Information on the State University of New York set forth in Appendix C hereto, including but not limited to the annual audited financial statements, together with (b) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data concerning, and in judging the financial condition of, the State and the University.

The Notices include notices of any of the following events with respect to the Series 2009A Bonds, if material: (1) principal and interest payment delinquencies; (2) nonpayment-related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the security; (7) modifications to the rights of holders of the security; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the securities; and (11) rating changes. In addition, the Authority will undertake, for the benefit of the Holders of the Series 2009A Bonds, to provide to the MSRB through its EMMA System, in a timely manner, notice of any failure by the State to provide the Annual Information and annual financial statements by the date required in the State's undertaking described above.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement to provide continuing disclosure described above is an action to compel specific performance of the undertakings of the State and/or the Authority, and no person, including any Holder of the Series 2009A Bonds, may recover monetary damages thereunder under any circumstances. The Authority or the State may be compelled to comply with their respective obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required under the Continuing Disclosure Agreement, by any owner of Outstanding Bonds or by the Trustee on behalf of the owners of Outstanding Bonds or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the owners of Outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the owners of not less than 25% in aggregate principal amount of the then-Outstanding Bonds. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Resolution. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may be amended or modified without Bondholders' consent under certain circumstances set forth therein. Copies of the Continuing Disclosure Agreement when executed by the parties thereto upon the delivery of the Series 2009A Bonds will be on file at the principal office of the Authority.

PART 18 - SOURCES OF INFORMATION AND CERTIFICATIONS

Certain information concerning the University and the State included in this Official Statement has been furnished or reviewed and authorized for use by the Authority by such sources as described below. While the Authority believes that these sources are reliable, the Authority has not independently verified this information and does not guarantee the accuracy or completeness of the information furnished by the respective sources. The Authority is relying on certificates from each source, to be delivered at or prior to the time of delivery of the Series 2009A Bonds, as to the accuracy of such information provided or authorized by it.

The University. The University provided certain information contained in this Official Statement, including the information relating to the University under the captions "PART 1 - INTRODUCTION - The Project", "PART 1 - INTRODUCTION - The University and the State", "PART 1 - INTRODUCTION - Dormitory Income Account - Revenues", "PART 3 - SOURCES OF PAYMENT AND SECURITY FOR THE BONDS - Dormitory Income Account - Moneys Available to Pay Authority Debt Service", "PART 7 - THE STATE UNIVERSITY OF NEW YORK", and "Appendix C - Information on the State University of New York" hereto (the "University Information").

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

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

The Director of the Budget of the State of New York will certify to the Authority that the information contained in the Annual Information Statement of the State of New York, including any updates or supplements, is true, correct and complete in all material respects, and no facts have come to his attention that would lead him to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; provided, however, that while the statements and information contained in the Annual Information Statement, including any updates or supplements, which were obtained from sources other than the State are not certified as to truth, correctness or completeness, such statements and information have been obtained from sources that 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 such section 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 office of the Department of Law of the State, without any further independent investigation. This certification applies both as of the date of the Official Statement and as of the date of the delivery of the Series 2009A Bonds.

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

This Official Statement includes by cross-reference certain information. The General Purpose Financial Statements of the State of New York for the State fiscal year ended March 31, 2009 have been provided to the MSRB through its EMMA system. For information on the financial condition of the State, including the 2009-10 State Financial Plan, see "Appendix B - Information Concerning the State of New York". The portions of the State's Annual Information Statement not included in Appendix B are on file with the MSRB through its EMMA system.

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

"Appendix A - Certain Definitions", "Appendix D - Summary of Certain Provisions of the Agreement", "Appendix E - Summary of Certain Provisions of the Resolution" and "Appendix F - Form of Approving Opinion of Bond Counsel" have been prepared by Hiscock & Barclay LLP, Albany, New York, Bond Counsel.

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

The Authority will certify that, both as of the date of this Official Statement and on the date of delivery of the Series 2009A Bonds, the information contained in this Official Statement is and will be fairly presented in all material respects, and that this Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading (it being understood that the Authority has relied upon and has not undertaken independently to verify the information contained in this Official Statement relating to the University or the State, but which information the Authority has no reason to believe is untrue or incomplete in any material respect).

The references herein to the Act, other laws of the State, the Resolution and the Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete, and reference should be made to each for a full and complete statement of its provisions. The agreements of the Authority with the registered owners of the Series 2009A Bonds are fully set forth in the Resolution (including any Supplemental Resolutions thereto), and neither any advertisement of the Series 2009A Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2009A Bonds. So far as any statements are made in this Official Statement involving matters of opinion or an estimate, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the offices of the Authority and the Trustee.

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

DORMITORY AUTHORITY OF
THE STATE OF NEW YORK

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

Appendices

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Appendix A

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CERTAIN DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cost or Costs of the Project means costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessary in connection with the Project, including, but not limited to, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses incurred for labor and materials and payments to contractors, builders and materialmen, for the acquisition, construction, reconstruction, rehabilitation, repair and improvement of the Facilities, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of the Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor or, and for supervising the Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs which the State University or the Authority shall be required to pay or cause to be paid for the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of the Facilities, (vii) any sums required to reimburse the State University, the State or the Authority for advances made for any of the above items or for other costs incurred and for work done by them in connection with the Project (including interest on borrowed money), (viii) interest on the Bonds prior to, during and for a reasonable period after completion of the acquisition, construction, reconstruction, rehabilitation, repair, improvement or equipping of the Facilities, and (ix) fees, expenses and liabilities of the Authority incurred in connection with the Project or pursuant to the Resolution or to the Agreement, a Credit Facility or a Liquidity Facility;

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

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

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

Defeasance Security means any of the following:

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

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

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

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

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

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

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

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

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

Exempt Obligation means any of the following:

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

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

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

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

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

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

Federal Agency Obligation means any of the following:

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

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

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

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

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

Government Obligation means any of the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Permitted Collateral means any of the following:

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

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

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

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

Permitted Encumbrances means and includes:

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

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

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

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

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

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

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

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

(ix) the Agreement and the Resolution; and

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

Permitted Investments means any of the following:

(i) Government Obligations;

(ii) Federal Agency Obligations;

(iii) Exempt Obligations;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Rentals means the rent payable under the Agreement;

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

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

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

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

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

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

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

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

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

State means the State of New York;

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

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

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

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

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

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

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

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

Appendix B

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APPENDIX B

INFORMATION CONCERNING THE STATE OF NEW YORK

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

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

The AIS set forth in this Appendix B is dated May 15, 2009. It was updated on November 3, 2009. The AIS was filed with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS Update can be accessed through the EMMA system at www.emma.msrb.org. An official copy of the AIS may be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705. An informational copy of the AIS is available on the Internet at http://www.budget.state.ny.us.

The Basic Financial Statements and Other Supplementary Information for the State fiscal year ended March 31, 2009 were prepared by the State Comptroller in accordance with accounting principles generally accepted in the United States of America and independently audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Basic Financial Statements and Other Supplementary Information were issued on July 29, 2009 and have been referred to or set forth thereafter in appendices of information concerning the State in Preliminary Official Statements and Official Statements of the State and certain of its public authorities. The Basic Financial Statements and Other Supplementary Information, which are included in the Comprehensive Annual Financial Report, may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 Tel: (518) 474-4015.

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

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

November 3, 2009

This quarterly update (the “AIS Update”) is the second quarterly update to the Annual Information Statement of the State of New York, dated May 15, 2009 (the “AIS”) and contains information only through November 3, 2009. This AIS Update should be read in its entirety, together with the AIS.

In this AIS Update, readers will find:

1. Extracts from the Mid-Year Update to the 2009-10 Financial Plan (the “Updated Financial Plan”), which the Division of the Budget (“DOB”) issued on October 30, 2009. The Updated Financial Plan includes (a) a summary of recent events and changes to the Financial Plan made since the first quarterly update to the AIS dated July 30, 2009 (the "First Quarterly Update"), (b) revised Financial Plan projections for fiscal years 2009-10 through 2012-13, (c) operating results for the first half of fiscal year 2009-10, (d) an updated economic forecast, (e) the Generally Accepted Accounting Principles (GAAP)-basis Financial Plan projections for 2009-10, and (f) a summary on debt and capital management. The Updated Financial Plan is available on the DOB website, www.budget.state.ny.us.

2. A discussion of special considerations related to the State Financial Plan for fiscal year 2009-10.

3. A summary of GAAP-basis results for the 2008-09 fiscal year (the full statements are available on the State Comptroller’s website, www.osc.state.ny.us).

4. Updated information regarding the State Retirement Systems.

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

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

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

The State may issue AIS supplements or other disclosure notices to this AIS Update as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS Update in Official Statements or related disclosure documents for State or State-supported debt issuance. The State has filed this AIS Update with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. Effective July 1, 2009, pursuant to Rule 15c2-12 promulgated by the

Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the MSRB is designated as the sole repository for the electronic filing of all primary and secondary market disclosure. An electronic copy of this AIS Update can be accessed through the EMMA at www.emma.msrb.org. An official copy of this AIS Update may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705..

Usage Notice

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

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

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

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Update to the 2009-10 Financial Plan

Note: *DOB issued the Updated Financial Plan on October 30, 2009, extracts of which are set forth below. The Updated Financial Plan includes updated estimates for 2009-10 and projections for 2010-11 through 2012-13. As such, it contains estimates and projections of future results that should not be construed as statements of fact. These estimates and projections are based upon various assumptions that may be affected by numerous factors, including future economic conditions in the State and nation and potential litigation. There can be no assurance that actual results will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan.*

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

The State also reports disbursements and receipts activity by two other broad measures: State Operating Funds, which includes the General Fund and funds specified for dedicated purposes, but excludes Federal Funds and Capital Projects Funds; and All Governmental Funds ("All Funds"), which includes both State and Federal Funds and provides the most comprehensive view of the financial operations of the State.

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

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

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2009-10 Updated Financial Plan Highlights

FINANCIAL PLAN AT-A-GLANCE: KEY MEASURES
(millions of dollars)

		2009-10			
	2008-09 Actual	First Quarterly Update	Change	Mid-Year Update [1]	2010-11 Current Services
State Operating Funds Budget					
Size of Budget (Excluding MTA) [2]	N/AP	$78,848	($501)	$78,347	N/AP
Annual Growth		0.9%	-0.7%	0.2%	
Size of Budget (Including MTA)	$78,168	$80,471	($501)	$79,970	$85,861
Annual Growth	1.5%	2.9%	-0.6%	2.3%	7.4%
Other Budget Measures (Annual Growth)					
General Fund (With transfers)	$54,607	$55,059	($449)	$54,610	$60,296
	2.3%	0.8%	-0.8%	0.0%	10.4%
State Funds (Includes Capital)	$83,146	$86,009	($504)	$85,505	$92,257
	2.2%	3.4%	-0.6%	2.8%	7.9%
Capital Budget (State and Federal Funds)	$6,830	$8,455	($402)	$8,053	$8,990
	11.4%	23.8%	-5.9%	17.9%	11.6%
Federal Operating	$36,573	$44,543	$619	$45,162	$46,039
	11.1%	21.8%	1.7%	23.5%	1.9%
All Governmental Funds	$121,571	$133,469	($284)	$133,185	$140,890
	4.8%	9.8%	-0.2%	9.6%	5.8%
All Govt'l Funds (Including "Off-Budget" Capital)	$123,833	$135,313	($37)	$135,276	$142,833
	5.2%	9.3%	-0.1%	9.2%	5.6%
Inflation (CPI) Growth	2.7%	-0.2%	0.2%	0.0%	1.8%
All Funds Receipts (Annual Growth)					
Taxes (Including MTA)	$60,337	$60,556	($1,173)	$59,383	$63,346
	-0.9%	0.4%	-2.0%	-1.6%	6.7%
Miscellaneous Receipts	$20,064	$21,435	($50)	$21,385	$21,366
	2.1%	6.8%	-0.2%	6.6%	-0.1%
Federal Grants	$38,834	$47,799	$288	$48,087	$48,887
	11.2%	23.1%	0.7%	23.8%	1.7%
Total Receipts	$119,235	$129,790	($935)	$128,855	$133,599
	3.3%	8.9%	-0.8%	8.1%	3.7%
Base Tax Growth/(Decline) [3]	-3.0%	-9.6%	-1.4%	-11.0%	5.5%
Combined General Fund/HCRA Gap Forecast (Before any DRP Actions)					
2009-10	N/A	($2,123)	($1,036)	($3,159)	N/A
2010-11	N/A	($4,623)	($2,173)	($6,796)	N/A
2011-12	N/A	($13,276)	($1,499)	($14,775)	N/A
2012-13	N/A	($18,163)	($1,357)	($19,520)	N/A
Cumulative Gaps	N/A	($38,185)	($6,065)	($44,250)	N/A
Total General Fund Reserves (Year-End)	$1,948	$1,378	($6)	$1,372	$1,420
State Workforce (Subject to Executive Control) [4]	136,490	128,803	5,895	134,698	135,193
Debt					
Debt Service as % All Funds	4.3%	4.4%	0.0%	4.4%	4.8%
State-Related Debt Outstanding	$51,768	$54,327	$891	$55,218	$58,360

[1] *Revenue and spending estimates do not include $2.3 billion in potential savings that are part of a Deficit Reduction Plan, described in more detail later in this AIS Update.*

[2] *Excludes the approximately $1.6 billion in special revenue fund receipts and disbursements related to the new Metropolitan Commuter Transportation Mobility Tax, a tax which is collected by the State on behalf of, and transferred in its entirety to, the MTA.*

[3] *Reflects estimated change in tax receipts excluding the impact of Tax Law changes since fiscal year 1986-87.*

[4] *The change in the workforce estimate from the First Quarterly Update reflects (a) changes to the composition of the original workforce reduction plan to emphasize alternatives to layoffs, including the elimination of funded vacancies, severance offerings, and the use of voluntary reductions in work schedules and (b) additional hiring related to Federal stimulus money.*

Updated Budget Gaps (Before Actions)

DOB now estimates that the General Fund has a budget gap of $3.2 billion in the current fiscal year, an increase of $1.0 billion from the First Quarterly Update to the Financial Plan.[1] The budget gap for 2010-11, which the Governor must address in his Executive Budget due in January 2010, is now projected at $6.8 billion, an increase of $2.2 billion from the First Quarterly Update. The budget gaps in future years are also estimated to be higher than in the First Quarterly Update, and are now projected at $14.8 billion in 2011-12 (an increase of $1.5 billion), and $19.5 billion in 2012-13 (an increase of $1.4 billion).

The growth in the current-year budget gap compared to the First Quarterly Update is mainly due to a reduction in estimated annual receipts from the personal income tax ("PIT") and business taxes, based on actual collections experience through the first half of fiscal year 2009-10, and updated economic information. In 2010-11 and thereafter, the increase in the budget gaps reflects the recurring impact of the current-year receipts reductions, as collections grow off a lower tax base, and increases in projected disbursements, especially for activities that are sensitive to the economic downturn (e.g., community college enrollment, pensions and fringe benefits, and reimbursement-based programs affected by accelerated claims from localities). See "Revisions to the General Fund Financial Plan" herein. DOB expects to next revise its Financial Plan projections in January 2010 with the release of the 2010-11 Executive Budget.

Deficit Reduction Plan to Address Current-Year Gap

The Governor has proposed a Deficit Reduction Plan ("DRP") to eliminate the $3.2 billion budget gap in the current year. The Governor has called the Legislature into special session in November to act on the proposals in the DRP that require legislative approval. The following table summarizes the revisions to the General Fund budget gaps before and after the impact of the proposed DRP.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS
SUMMARY OF CHANGES FROM FIRST QUARTERLY UPDATE
(millions of dollars)

	2009-10	2010-11	2011-12	2012-13
FIRST QUARTERLY ESTIMATE*	**(2,123)**	**(4,623)**	**(13,276)**	**(18,163)**
Forecast Revisions	**(1,036)**	**(2,173)**	**(1,499)**	**(1,357)**
Receipts	(930)	(1,518)	(766)	(723)
Disbursements	(106)	(655)	(733)	(628)
HCRA	0	0	0	(6)
MID-YEAR (CURRENT) ESTIMATE	**(3,159)**	**(6,796)**	**(14,775)**	**(19,520)**
Proposed Deficit Reduction Plan	**3,159**	**434**	**459**	**459**
Administrative Actions	833	434	459	459
Actions Requiring Legislative/Other Approval	2,326	TBD	TBD	TBD
PROJECTED GAPS AFTER DEFICIT REDUCTION PLAN **	**0**	**(6,362)**	**(14,316)**	**(19,061)**

* *First Quarterly Update to the 2009-10 Enacted Budget Financial Plan dated July 30, 2009*
** *Assumes successful implementation of proposed Deficit Reduction Plan.*

The proposed DRP consists of across-the-board reductions to most local aid programs ($1.3 billion); across-the-board reductions to State agency operating budgets ($500 million); enhanced audit and recovery activities in the areas of tax compliance and Medicaid fraud, including a tax amnesty program ($400 million); the transfer of available resources from the Battery Park City Authority ($300 million); a franchise payment for the video lottery terminal ("VLT") development rights at Aqueduct Racetrack ($200 million); transfers of certain available resources from other funds of the State and public authorities ($175 million); and other actions ($200 million). See "Deficit Reduction Plan" herein.

[1] The budget gap represents the difference between estimated disbursements and the resources expected to be available to pay for them. Unless specifically noted, the projections in this AIS Update are on a budgetary (cash) basis of accounting.

DOB estimates that approximately $2.3 billion of the $3.2 billion in DRP proposals (or approximately 75 percent) will require the approval of the Legislature or other levels of government, or both. These include the reductions to local aid programs, use of authority resources, authorization for the tax amnesty program, and approval of the VLT franchise payment. DOB expects that approximately $800 million in DRP actions, including most of the reductions in State agency operations (with the exception of City University of New York ("CUNY")), can be implemented administratively.

The four-year Financial Plan projections by agency and Financial Plan category set forth in the Updated Financial Plan reflect only the impact of DRP actions that DOB believes can be implemented administratively. Actions that require the approval of the Legislature or other parties, such as the proposed reductions in local assistance spending, are not reflected in the detailed projections, but only displayed as a potential benefit in closing the current-year deficit. DOB expects to reflect the multi-year impact of any DRP actions approved by the Legislature or other outside parties in the updated Financial Plan projections that will accompany the 2010-11 Executive Budget.

Recent Operating Results and Cash Position

The State's cash position continues to be a significant concern. General Fund operating results through September 2009 appear better than projected in the First Quarterly Update, but this was due to management actions to maintain adequate operating margins and routine variances in the timing of disbursements that are not expected to affect annual spending levels. For example, the State now plans to make its contribution of approximately $960 million to the State Retirement System on March 1, 2010, the statutory payment date, rather than in September 2009, as it had originally planned. Excluding the impact of cash management actions and routine timing variances, DOB estimates that the General Fund operating results through September 2009 would have been approximately $700 million to $800 million below planned levels. See "Year-to-Date Operating Results" herein.

The Enacted Budget provides authorization for the General Fund to borrow resources temporarily from other funds in the State's Short-Term Investment Pool ("STIP") for a period not to exceed four months or to the end of the fiscal year, whichever is shorter. Through the first six months of 2009-10, the General Fund used this authorization to meet certain payment obligations in May, June, and September 2009. In each case, the STIP loans were repaid by the end of the month. DOB expects that the General Fund will continue to rely on this borrowing authority at times during the remainder of the fiscal year. The current cashflow forecast projects that, if no action is taken by the Legislature on the DRP in November 2009, the General Fund will end November 2009 with a negative balance of approximately $150 million, and December 2009 with a negative balance of approximately $1.1 billion. DOB expects the General Fund will return to a positive month-end balance in January 2010, reflecting the timing of PIT receipts.

The amount of resources that can be borrowed by the General Fund is limited to the available balances in STIP, as determined by the State Comptroller (available balances include money in the State's governmental funds, as well as certain other money). However, the available balances on hand in STIP have declined compared to recent years and DOB believes that during the period from Mid-December 2009 to early January 2010, available daily balances in STIP may not be sufficient to make currently scheduled payments. The current cashflow forecast projects that the governmental funds closing balance, absent action on the DRP, will approach zero at the end of December 2009. DOB estimates that this balance could improve by $200 million to $400 million if the Legislature enacted the DRP, as proposed, in Mid-November 2009.

DOB will continue to closely monitor and manage the General Fund cash flow during the remaining months of the current fiscal year and expects to continue to take cash-management actions, such as altering the timing of discretionary payments, in an effort to maintain adequate operating balances. In addition, the State is reserving money to make the debt service payments scheduled for November and

December 2009 that are financed with General Fund resources. DOB plans to again reserve money in January 2010 for payments due in the final quarter of the current fiscal year. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds, continues to be set aside as required by law and bond covenants.

The Structural Budget Gap

The incremental increases in the General Fund budget gaps identified in recent quarterly updates are largely due to reductions in projected receipts. However, sustained growth in spending commitments in major programs and activities over the four-year Financial Plan period is the principal contributor to the State's long-term structural budget gaps. The State-financed portion of the budget has grown faster than both personal income and inflation over the past ten years, and is projected to do so over the next four years, absent measures to control spending. From 2009-10 through 2012-13, General Fund disbursements are projected to increase at an average annual rate of approximately 8.0 percent; State Operating Funds disbursements, which capture activity in State special revenue funds and debt service funds, as well as the General Fund, are projected to increase at 6.3 percent annually[2]. In comparison, State tax receipts over the plan period are projected to grow at 3.9 percent annually, consistent with DOB's economic forecast for the recession and recovery. Accordingly, it is expected that the 2010-11 Executive Budget will propose substantial reductions in State spending commitments.

Revisions to the General Fund Financial Plan

DOB has made a number of substantive revisions to the General Fund receipts and disbursements forecasts contained in the First Quarterly Update to the Financial Plan. The revisions are based on a comprehensive review of operating results to date, updated economic data, and program trends. The following table provides a list of the revisions and displays the impact on General Fund operating projections before and after the proposed DRP. It is followed by a discussion of the major revisions and a summary of the DRP.

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[2] Adjusted to exclude the impact of Federal stimulus funding. The unadjusted growth rates are approximately 11 percent in the General Fund and 8.4 percent in State Operating Funds.

GENERAL FUND FORECAST FOR 2009-10 THROUGH 2012-13 SAVINGS/(COSTS) (millions of dollars)	2009-10	2010-11	2011-12	2012-13
FIRST QUARTERLY BUDGET SURPLUS/(GAP) ESTIMATE	**(2,123)**	**(4,623)**	**(13,276)**	**(18,163)**
Receipts Revisions	(930)	(1,518)	(766)	(723)
Tax Forecast Revisions	(1,184)	(1,488)	(706)	(651)
Personal Income Tax*	(1,075)	(1,375)	(600)	(600)
Sales/Use Taxes*	(25)	(43)	(48)	(35)
Business Taxes	(133)	(80)	(62)	(11)
Other Taxes*	49	10	4	(5)
Personal Income Tax -- STAR*	85	0	0	0
Miscellaneous Receipts/Other Transfers	169	(30)	(60)	(72)
Disbursement Revisions	(106)	(655)	(733)	(628)
Health Care (incl. Medicaid)	6	(177)	(238)	(230)
Higher Education	(23)	(131)	(139)	(194)
Criminal Justice	(84)	(82)	(82)	(84)
School Aid	0	(75)	(100)	(132)
Transportation	6	(27)	(42)	(70)
Mental Hygiene	8	11	(52)	(98)
Fringe Benefits/Fixed Costs	2	(121)	(3)	258
All Other	(21)	(53)	(77)	(78)
HCRA Revisions	0	0	0	(6)
REVISED SURPLUS/(GAP) ESTIMATE BEFORE ACTIONS	**(3,159)**	**(6,796)**	**(14,775)**	**(19,520)**
Net Change From First Quarterly Update	*(1,036)*	*(2,173)*	*(1,499)*	*(1,357)*
Deficit Reduction Plan Actions	3,159	434	459	459
Administrative Savings	833	434	459	459
Receipts	272	125	125	125
Disbursements	561	309	334	334
Actions Requiring Legislative/Other Approval	2,326	TBD	TBD	TBD
REVISED BUDGET SURPLUS/(GAP) ESTIMATE AFTER ACTIONS**	**0**	**(6,362)**	**(14,316)**	**(19,061)**
(Increase)/Decrease From First Quarterly Update	*2,123*	*(1,739)*	*(1,040)*	*(898)*

** Tax changes include transfers from other funds after the impact of revisions to debt service costs.*
*** Assumes successful implementation of proposed Deficit Reduction Plan.*

General Fund Receipts Revisions

General Fund receipts, including transfers from other funds, are now estimated to total $51.7 billion, a decrease of $658 million from the amount projected in the First Quarterly Update. Tax receipts, excluding the impact of revisions to the School Tax Relief program ("STAR") and debt service (which are unrelated to underlying collection experience), have been revised downward by $1.2 billion. This is offset in part by higher miscellaneous receipts ($169 million), lower estimated spending in STAR ($85 million), and the expected implementation of administrative DRP actions affecting receipts ($272 million).

Current Year Tax Receipts

The receipt estimates for the current fiscal year have been revised downward, as the New York State economy has deteriorated more quickly than anticipated during the first half of 2009. Estimated General Fund tax receipts in the current year have been lowered by $1.2 billion since the First Quarterly Update, due almost entirely to a reduction in PIT collections. In addition, the anticipated increase in PIT collections due to the high income surcharge has not fully materialized as expected, although some of the shortfall may be due to timing. In the absence of the surcharge enacted in 2009-10 and other law changes, it is estimated that PIT liability for 2009 would have fallen 14.5 percent. In the current year, the downward revisions to the PIT forecast are partly offset by a decline in the amount to be deposited into the STAR Fund.

Projected business tax collections for 2009-10 have been lowered by $133 million compared to the First Quarterly Update, mainly due to overall economic weakness. Furthermore, sales tax collections were weaker than forecast as the historic decline in State wages estimated for the current year is having an even more adverse impact on State household spending than expected, particularly for automobiles and other large consumer items.

2010-11 Tax Receipts

General Fund tax receipts estimates for 2010-11 have been reduced by $1.5 billion compared to the First Quarterly Update. The lower PIT base for the current fiscal year is estimated to account for most of this downward revision. All Funds net PIT receipts for 2010-11 are projected to increase by $2.9 billion (8.4 percent) over the prior year to $38.0 billion, with withholding growth of $1.5 billion (5.2 percent), which primarily reflects a recovery in wage growth consistent with the expected pace of the State's economic recovery and application of higher withholding rates to first quarter 2010 bonus payments. Estimated tax payments of $8.6 billion are projected for tax year 2010, or $1.0 billion (13.2 percent) above the prior year. This increase reflects an expected acceleration in capital gains realizations as taxpayers are expected to react to the scheduled expiration of lower Federal capital gains tax rates at the end of 2010.

General Fund business tax receipts for 2010-11 are now projected to increase by $296 million, or 5.6 percent, from the current year, to $5.6 billion, representing a downward revision of $80 million compared with the First Quarterly Update, due primarily to the weaker 2009-10 base.

General Fund user taxes and fees receipts, including transfers, are projected to total $10.7 billion in 2010-11, an increase of $430 million or 4.2 percent from 2009-10. This estimate is roughly $30 million below the First Quarterly Update.

Miscellaneous Receipts

General Fund miscellaneous receipts and transfers from other funds have been revised upward by approximately $400 million from the First Quarterly Update. Higher levels of indirect cost reimbursements, additional revenues from assessments on utility companies, revenue collected from legal settlements, additional workers' compensation surplus revenue remittance, and various changes to transfers account for the improvement.

General Fund Disbursements Revisions

General Fund disbursements, including transfers to other funds, are estimated to total $54.6 billion in the current fiscal year, a decrease of approximately $450 million from the First Quarterly Update. Revisions to the operating forecast, based on updated information, have increased estimated spending by approximately $100 million, but these changes are more than offset by the expected implementation of the administrative spending reductions in the DRP (e.g., reductions in State agency operating spending, Medicaid fraud savings and debt management):

- Health Care (including Medicaid): Changes in this area comprise the most significant spending revisions across the plan period and include the following:

    - The State reimburses counties for services under the General Public Health Works ("GPHW") and Early Intervention ("EI") programs, on a formula basis. Based on a review of prior-year claims and recent service trends, cost estimates have increased for these programs ($35 million in 2009-10; $105 million in 2010-11; $125 million in 2011-12, and $170 million in 2012-13).

- The Health Care Reform Act ("HCRA") is expected to provide additional financing of State Medicaid costs that would otherwise have been paid for by the General Fund ($37 million in 2009-10; $3 million in 2010-11; $18 million in 2011-12, and $61 million in 2012-13) based on revised operating projections.

- Securing Federal approval of a State Plan Amendment related to certain long-term care initiatives is now expected to occur too late to provide savings in the current year, but will provide savings next year, if approved (a cost of $29 million in the current year and savings of $29 million in 2010-11).

- Other revisions to the health care forecast over the Plan period include: additional costs in the current year for the payment of prior-year liabilities under the human services cost-of-living adjustment ($27 million); increased spending for the Family Health Plus ("FHP") Employer Buy-In program to provide premium subsidy payments for child care workers ($8 million in 2010-11; $16 million in 2011-12; and $14 million in 2012-13); annual reductions attributable to projected Medicaid costs for services provided through the mental hygiene system ($70 million in 2009-10; $57 million in 2010-11; and $20 million annually thereafter); and elimination of budgeted savings from a proposed assessment on out-of-State insurers that was ultimately not approved by the Legislature ($135 million annually starting in 2010-11).

- Higher Education: The impact of the current economic recession is evident in recent upward trends in student enrollment in the State University of New York ("SUNY") and CUNY community colleges. This is expected to result in higher base aid provided by the State to these institutions ($51 million in 2010-11; and $62 million in both 2011-12 and 2012-13). Similarly, increased spending under the Tuition Assistance Program ("TAP") grant award program is expected due to the increased enrollment in institutions of higher education ($23 million in 2009-10; $53 million in 2010-11; and $6 million in both 2011-12 and 2012-13). In addition, SUNY and CUNY senior college operational costs in the outyears of the Financial Plan are projected to exceed the estimates in the First Quarterly Update primarily due to higher fringe benefit costs.

- Criminal Justice: Projected spending for the Department of Correctional Services and Division of Parole has been revised across the plan period to reflect efforts to achieve savings through alternatives to proposed layoffs.

- School Aid: The September 2009 update to the school aid database resulted in higher projected costs of $75 million in 2010-11, based on additional claims filed since the May 2009 update, and updated wealth and demographic information reported by school districts. These additional costs are primarily driven by growth in foundation aid and special education aid, with supplemental claims from New York City representing nearly 70 percent of the increased fiscal year liability. Based on statute, additional school year obligations from 2009-10 and earlier years will be paid in State fiscal year 2010-11. As in prior years, the updated school district data and additional claims have resulted in a significant cost increase to the State's multi-year Financial Plan, subsequent to the Enacted Budget agreements.

- Transportation: The General Fund subsidy provided to the Dedicated Highway and Bridge Trust Fund ("DHBTF") has been revised across the plan period as a result of changes in estimated spending levels for projects, debt service costs, available bond proceeds, and other receipts.

- Mental Hygiene: The 2009-10 and 2010-11 savings primarily reflect efforts to reduce non-personal service costs by 11 percent and reduce workforce costs from the ongoing hiring freeze and severance plan. Higher costs beginning in 2010-11 are expected as a result of a rise in fringe benefit and indirect costs.

- General State Charges ("GSCs"): In 2010-11, the State's contribution to the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System will increase approximately 55 percent above the current year level, with large increases projected for future years as well. Additional costs above the First Quarterly Update forecast have been included as a result of an increase in the 2010-11 employer contribution rates from the original forecast provided by the Office of the State Comptroller. In addition, the State now plans to make its pension contribution on March 1, 2010, rather than September 2009. The estimated cost of not pre-paying the contribution is approximately $30 million. The State also plans to make its 2010-11 contribution in March 2011, rather than pre-paying it, which results in additional 2010-11 costs of approximately $50 million.

Other changes to the GSC forecast of spending include additional costs for taxes on State-owned lands in 2009-10 as well as multi-year revisions to the forecast for health insurance costs for State employees and retirees, fixed costs and fringe benefit escrow receipts.

- Other Spending Revisions: Revisions based on recent program trends and operating results to date have been made in numerous programs and activities, including environmental protection, social services, disaster assistance, economic development, general government, and local government aid. The most noteworthy multi-year changes include lower than projected child welfare services spending; additional State spending to replace or compensate for reductions in available Federal Temporary Assistance for Needy Families moneys for ongoing welfare programs, including summer youth employment, supplemental homeless intervention, supportive housing for families, wage subsidy and wheels to work; higher than anticipated court security contract payments and fringe benefit costs for the Judiciary; and additional spending under the Back-to-School Assistance program, which was financed entirely through a private donation and Federal resources (reflected in miscellaneous receipts).

DEFICIT REDUCTION PLAN

DOB now estimates that the General Fund has a budget gap of $3.2 billion in the current fiscal year, and increase of $1.0 billion from the First Quarterly Update to the Financial Plan. Based on the revised estimate of the budget gap in the current year, the DRP has been updated to include new actions to eliminate the entire current-year budget gap of $3.2 billion. The table below summarizes the DRP, followed by an explanation of the specific actions.

2009-10 DEFICIT REDUCTION PLAN
(millions of dollars)

	2009-10
Total Deficit Reduction Plan Actions	**3,159**
Administrative Actions	833
State Operations Across-the-Board Reductions	484
Medicaid Fraud Targets	150
Debt Management	100
18-A Utility Assessments	45
Workers' Compensation Surplus Recapture	49
Dormant Funds	5
Actions Requiring Legislative/Other Approval *	2,326
Local Assistance Across-the-Board Reductions	1,300
School Aid ($686 million school year reduction)	*480*
Health Care (Including Insurance)	*343*
Transportation	*125*
All Other	*352*
Battery Park City Resources (Need NYC Approval)	300
Statewide Audit/Recovery Targets/Amnesty (Tax)	250
VLT Franchise Payment (Assumes Current Year Settlement)	200
Regional Greenhouse Gas Initiative Fund/EPF Fund Sweep	100
DASNY Fund Sweep	26
Other Actions	150

** Potential savings that are subject to approval by the Legislature or an outside entity are not included in estimates of revenue or spending.*

For presentation purposes, the DRP is divided into two parts: actions that can generally be implemented administratively by the Executive and actions that require the approval of the Legislature or other outside parties. The administrative actions, which DOB estimates total approximately $800 million, include the following:

- Agency Operations Reductions: The Governor has ordered an 11 percent reduction to agency operating budgets. The reductions are expected to save approximately $450 million annually. These savings are reflected in the agency operating totals of the Updated Financial Plan. For the most part, the State agency reductions do not require legislative approval. The main exception is CUNY, which, because of the structure of its appropriations, requires the approval of the Legislature. However, to ensure treatment on parity with SUNY, the Financial Plan assumes that the CUNY reduction will be approved.

- Medicaid Fraud: The State Office of the Medicaid Inspector General will enhance activities to eliminate fraud, waste and abuse, with a goal of identifying an additional $150 million in savings in the current year.

- Debt Management: The State is realizing savings compared to its debt service estimates from refundings, the use of Build America Bonds (“BABs”), and relatively low interest rates on its variable rate bonds.

- 18-A Assessment: This reflects an upward reestimate in the amount of revenue generated from an increased assessment on utilities enacted in 2009-10.

- Workers’ Compensation Surplus Recapture: Certain insurers have indicated their intention to remit excess funds under legislation enacted as part of the 2009-10 Budget.

- Dormant Funds: Certain moneys held in dormant accounts will be made available to the General Fund.

Actions requiring approval of the Legislature or other outside parties are estimated to total approximately $2.3 billion and include:

- Local Assistance Reductions: The DRP proposes a 10 percent reduction to all remaining, undisbursed local assistance spending in the current fiscal year for most programs. School aid would be limited to 4.5 percent reduction of remaining undisbursed scheduled payments for the current fiscal year (an annualized impact of 3 percent based on projected Enacted Budget 2009-10 full school year spending). This school aid reduction is achieved by a one-time Gap Elimination Adjustment (“GEA”), which results in a per-pupil reduction adjusted for school district wealth, student needs, and residential tax burden. The size of the GEA for high-needs districts is also limited to 1.4 percent of total General Fund expenditures. This will result in a reduction of $686 million on a school year basis ($480 million in the 2009-10 fiscal year) from current levels. In addition, reductions to the STAR program and to programs that would directly cause mandated cost shifts to New York City and counties were not recommended in the DRP.

- Battery Park City Authority: The State would receive $300 million in excess revenues from the Authority. This is subject to agreement with New York City and the Authority.

- Tax Audit/Amnesty: An amnesty program would partially forgive accrued penalty and interest on long-outstanding State tax liabilities in order to encourage individuals to resolve unpaid claims. For assessments between three years and six years overdue, penalty and interest would be reduced by 50 percent. For assessments overdue more than six years, penalty and interest would be reduced by 80 percent.

- VLT Franchise Payment: The DRP assumes that the winning Aqueduct VLT bidder will make a franchise payment of at least $200 million in the 2009-10 fiscal year. The Financial Plan had assumed that this payment will be made in 2010-11.

- Regional Greenhouse Gas Initiative (“RGGI”): This proposal would transfer $90 million in RGGI proceeds and $10 million from the Environmental Protection Fund (“EPF”) to the General Fund.

- Dormitory Authority: The State would receive $26 million from the Authority.

- Other Actions: This includes a number of potential actions that may be implemented to achieve savings in the current year. Potential actions include the in-sourcing of information technology activities pursuant to legislation to modernize civil service rules; further controls on specific agency activities; the use of funds currently earmarked for debt management purposes; and other initiatives. DOB believes that savings of approximately $150 million from these or comparable actions, some of which require legislative approval, can be achieved in the current year.

Annual Spending growth

TOTAL DISBURSEMENTS*
(millions of dollars)

	2008-09 Actuals	2009-10 First Quarterly Estimate	2009-10 Change	2009-10 Revised Estimate	Annual $ Change	Annual % Change	Adjusted % Change**
State Operating Funds	**78,168**	**80,471**	**(501)**	**79,970**	**1,802**	**2.3%**	**0.2%**
General Fund (excluding transfers)	48,436	49,422	(249)	49,173	737	1.5%	1.5%
Other State Funds	25,146	25,902	(156)	25,746	600	2.4%	-4.1%
Debt Service Funds	4,586	5,147	(96)	5,051	465	10.1%	10.1%
All Governmental Funds	**121,571**	**133,469**	**(284)**	**133,185**	**11,614**	**9.6%**	**8.2%**
State Operating Funds	78,168	80,471	(501)	79,970	1,802	2.3%	0.2%
Capital Projects Funds	6,830	8,455	(402)	8,053	1,223	17.9%	17.9%
Federal Operating Funds	36,573	44,543	619	45,162	8,589	23.5%	23.5%
General Fund, including Transfers	**54,607**	**55,059**	**(449)**	**54,610**	**3**	**0.0%**	**0.0%**

** Revenue and spending estimates do not include $2.3 billion in potential savings that are subject to approval by the Legislature or an outside entity.*
*** Excludes approximately $1.6 billion in special revenue fund disbursements related to the new Metropolitan Commuter Transportation Mobility Tax, a tax which is collected by the State on behalf of, and transferred in its entirety to, the MTA.*

The annual growth in State Operating Funds and All Funds disbursements is significantly affected by the Mobility Tax, enacted in the first quarter of the fiscal year. This revenue source is collected by the State on behalf of, and disbursed in its entirety to, the Metropolitan Transportation Authority ("MTA"). Due to the requirements of the enabling legislation, the tax is reflected in the State's operating funds, increasing both receipts and disbursements by $1.6 billion. Excluding the new tax, State Operating Funds disbursements in 2009-10 are projected to grow by two-tenths of one percent compared to 2008-09.

General Fund disbursements, including transfers to other funds, are projected at $54.6 billion in 2009-10, unchanged from 2008-09. State Operating Funds spending, which includes the General Fund, State-financed special revenue funds, and debt service, is projected to increase by $1.8 billion (2.3 percent) and total $80.0 billion in 2009-10 (with the new MTA tax). All Governmental Funds spending, the broadest measure of spending that includes State Operating Funds, capital spending, and Federal grants, is projected to total $133.2 billion in 2009-10, an increase of $11.6 billion. Three-quarters of the All Funds increase is attributable to growth in Federal aid.

2009-10 Projected Closing Balances

General Fund

DOB estimates that the General Fund will end the 2009-10 fiscal year with a balance of $1.4 billion, essentially unchanged from the First Quarterly Update. The estimate assumes the successful implementation of the DRP to eliminate the current-year budget gap (now estimated at $3.2 billion) without the use of existing reserves. Money currently identified for debt reduction may be used as part of the DRP, which would reduce the closing balance.

GENERAL FUND ESTIMATED CLOSING BALANCE (millions of dollars)	2009-10 First Quarterly Update	2009-10 Current Estimate	*Change*
Projected Fund Balance	**1,378**	**1,372**	**(6)**
Tax Stabilization Reserve Fund	1,031	1,031	0
Rainy Day Reserve Fund	175	175	0
Community Projects Fund	78	72	(6)
Reserved for Debt Reduction	73	73	0
Contingency Reserve Fund	21	21	0

The estimated closing balance, assuming successful actions to close the current-year gap, includes $1.0 billion in the State's Tax Stabilization Reserve, which can be used to finance an unanticipated deficit at the end of the fiscal year, $175 million in the Rainy Day Reserve, which can be used to respond to an economic downturn if certain criteria are met, $72 million in the Community Projects Fund, which is reserved to finance existing "member item" initiatives, $73 million for debt management purposes, and $21 million in the Contingency Reserve Fund for litigation risks.

All Governmental Funds

DOB projects the State will end the 2009-10 fiscal year with $3.0 billion in All Governmental Funds balances. This estimate is dependent on the successful implementation of actions to close the General Fund gap in the current year. The balance consists of $1.4 billion in the General Fund, $1.5 billion in balances in State Special Revenue Funds, $366 million in Federal Special Revenue Funds, $277 million in Debt Service Funds, and a negative balance of $501 million in Capital Projects Funds.

ALL FUNDS ESTIMATED CLOSING BALANCE (millions of dollars)	2009-10 First Quarterly Update	2009-10 Current Estimate	*Change*
Projected Fund Balance	**3,550**	**3,047**	***(503)***
General Fund	1,378	1,372	*(6)*
State Special Revenue Funds	2,057	1,533	(524)
Miscellaneous Special Revenue	891	678	(213)
Industry Assessments	*467*	*310*	*(157)*
Health and Social Welfare	*(4)*	*(10)*	*(6)*
General Government	*80*	*75*	*(5)*
All Other	*348*	*303*	*(45)*
State University Income	805	547	(258)
Mass Transportation Operating Assistance	24	68	44
Health Care Resources Fund	0	0	0
Lottery Fund	14	33	19
All Other	323	207	(116)
Federal Operating Funds	293	366	73
Capital Projects Funds	(465)	(501)	(36)
Debt Service Funds	287	277	*(10)*

The balances held in State Special Revenue Funds include moneys designated to finance existing or potential future commitments, or funds that are restricted or dedicated for specified statutory purposes. The largest balances in the State Special Revenue Funds include moneys on hand to finance future costs for State University programs, operating assistance for transportation programs, and various programs financed from the industry assessments. The remaining fund balances are held in numerous funds, primarily the Miscellaneous Special Revenue Fund, and accounts that support a variety of programs including public health, general government, and public safety. The reduction in Special Revenue Fund balances from the First Quarterly Update is mainly attributable to technical adjustments to several funds and accounts based on updated analysis.

Balances in Federal Operating Funds are dedicated for the support of several programs including Medicaid, welfare and education, and reflect a difference in timing of disbursements and the related Federal reimbursement. The timing of spending on ongoing, multi-year capital projects in advance of reimbursement from bond proceeds accounts for routine loans (or negative balances) in Capital Funds. Balances in Debt Service Funds represent funds set aside to finance debt service costs pursuant to legal obligations set forth in bond resolutions.

General Fund Outyear Budget Projections

DOB projects budget gaps of $6.4 billion in 2010-11, $14.3 billion in 2011-12, and $19.1 billion in 2012-13. The projected budget gaps reflect the recurring benefit of administrative actions expected to be taken as part of the 2009-10 DRP, but not any potential recurring savings from DRP actions that require the approval of the Legislature or other parties outside the Executive's control.

General Fund spending is projected to grow at an average annual rate of 11.1 percent from 2009-10 through 2012-13. Spending growth in the General Fund is projected to increase sharply in 2011-12, reflecting a return to a lower Federal matching rate for Medicaid expenditures on January 1, 2011, which will increase the share of Medicaid costs that must be financed by State resources, and the loss of temporary Federal aid for education. Excluding these stimulus-related effects, which temporarily suppress General Fund costs in 2009-10 and 2010-11, General Fund spending grows at approximately 8.0 percent on a compound annual basis. The spending growth is driven by, among other things, Medicaid, including the State-financed cap on local Medicaid spending; pensions; education; employee and retiree health benefits; and human services programs.

The receipts growth over the plan period is consistent with DOB's economic forecast for the recession and recovery. The temporary PIT increase, which covers calendar years 2009 through 2011, is expected to provide substantial additional receipts through fiscal year 2011-12.

The following table summarizes the General Fund projections by major tax and Financial Plan category.

GENERAL FUND MID-YEAR FORECAST[1]
(millions of dollars)

	2009-10	2010-11	Annual $ Change	Annual % Change	2011-12	Annual % Change	2012-13	Annual % Change
Receipts								
Taxes	47,127	50,387	3,260	6.9%	51,901	3.0%	52,227	0.6%
Personal Income Tax*	30,472	32,954	2,482	8.1%	33,824	2.6%	32,935	-2.6%
User Taxes and Fees*	10,302	10,732	430	4.2%	11,280	5.1%	11,748	4.1%
Business Taxes	5,321	5,617	296	5.6%	5,594	-0.4%	6,207	11.0%
Other Taxes*	1,032	1,084	52	5.0%	1,203	11.0%	1,337	11.1%
Miscellaneous Receipts	3,114	2,687	(427)	-13.7%	2,583	-3.9%	2,584	0.0%
Federal Grants	68	60	(8)	-11.8%	60	0.0%	60	0.0%
Other Transfers	1,399	848	(551)	-39.4%	798	-5.9%	777	-2.6%
Total Receipts	**51,708**	**53,982**	**2,274**	**4.4%**	**55,342**	**2.5%**	**55,648**	**0.6%**
Disbursements								
Grants to Local Governments	36,818	40,600	3,782	10.3%	48,124	18.5%	51,869	7.8%
School Aid	18,019	19,103	1,084	6.0%	20,653	8.1%	22,651	9.7%
Total Medicaid (incl. admin)	6,152	8,637	2,485	40.4%	13,589	57.3%	14,652	7.8%
Medicaid (before local relief/FMAP)	8,379	10,150	1,771	21.1%	11,735	15.6%	12,304	4.8%
Enhanced FMAP (ARRA)	(3,155)	(2,883)	272	-8.6%	0	-100.0%	0	0.0%
Local Gov. Cap/FHP Takeover	928	1,370	442	47.6%	1,854	35.3%	2,348	26.6%
Higher Education	2,822	2,642	(180)	-6.4%	2,804	6.1%	2,893	3.2%
Mental Hygiene	2,167	2,283	116	5.4%	2,424	6.2%	2,551	5.2%
Children and Family Services	1,788	1,936	148	8.3%	2,159	11.5%	2,367	9.6%
Other Education Aid	1,634	1,689	55	3.4%	1,880	11.3%	1,964	4.5%
Temporary and Disability Assistance	1,310	1,506	196	15.0%	1,597	6.0%	1,725	8.0%
Local Government Assistance	1,117	1,125	8	0.7%	1,127	0.2%	1,136	0.8%
Public Health	708	825	117	16.5%	858	4.0%	939	9.4%
All Other	1,101	854	(247)	-22.4%	1,033	21.0%	991	-4.1%
State Operations:	8,486	8,948	462	5.4%	9,129	2.0%	9,257	1.4%
Personal Service	6,560	6,878	318	4.8%	6,961	1.2%	7,029	1.0%
Non-Personal Service	1,926	2,070	144	7.5%	2,168	4.7%	2,228	2.8%
General State Charges	3,869	4,386	517	13.4%	5,136	17.1%	5,872	14.3%
Pensions	1,179	1,653	474	40.2%	2,265	37.0%	2,953	30.4%
Health Insurance:								
Active Employees	1,747	1,928	181	10.4%	2,089	8.4%	2,263	8.3%
Retired Employees	1,130	1,250	120	10.6%	1,356	8.5%	1,472	8.6%
Fringe Benefit Escrow	(2,093)	(2,333)	(240)	11.5%	(2,588)	10.9%	(2,673)	3.3%
All Other	1,906	1,888	(18)	-0.9%	2,014	6.7%	1,857	-7.8%
Transfers to Other Funds	5,437	6,362	925	17.0%	7,317	15.0%	7,809	6.7%
Medicaid State Share	2,292	2,331	39	1.7%	2,867	23.0%	2,868	0.0%
Debt Service	1,695	1,774	79	4.7%	1,728	-2.6%	1,728	0.0%
Capital Projects	525	1,165	640	121.9%	1,335	14.6%	1,518	13.7%
Other Purposes	925	1,092	167	18.1%	1,387	27.0%	1,695	22.2%
Total Disbursements	**54,610**	**60,296**	**5,686**	**10.4%**	**69,706**	**15.6%**	**74,807**	**7.3%**
Change in Reserves								
Timing-Related Reserve	(163)	0			0		0	
Prior Year Reserves	(340)	0			0		0	
Community Projects Fund	(73)	48			(48)		(98)	
Deposit to/(Use of) Reserves	**(576)**	**48**			**(48)**		**(98)**	
Budget Surplus/(Gap) Estimate	**(2,326)**	**(6,362)**			**(14,316)**		**(19,061)**	
HCRA Operating Surplus/(Gap)	0	0			0		0	
Legislative Actions Needed to Close Gap	**2,326**	**TBD**			**TBD**		**TBD**	
General Fund/HCRA Revised Budget	**0**	**(6,362)**			**(14,316)**		**(19,061)**	

[1] *Revenue and spending estimates do not include $2.3 billion in potential savings that are subject to approval by the Legislature or an outside entity.*

* *Includes transfers after debt service.*

In evaluating the State's 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 further into the planning period. Accordingly, in terms of the outyear projections, 2010-11 is the most relevant from a planning perspective, since any gap in that year must be closed with the next Executive Budget and the variability of the estimates is likely to be less than in later years. The State will provide quarterly revisions to its multi-year estimates.

General Fund Outyear Receipts Projections

General Fund receipts over the plan period are affected by the economic outlook, the expiration of the PIT surcharge at the end of calendar year 2011, and the changes in the level of non-tax resources available to finance General Fund disbursements. The economic forecast calls for a recession with employment losses continuing through the third quarter of 2010, a historic decline in State wages of 4.8 percent in 2009, and low wage growth of 2.1 percent for 2010. This lowers the economic base on which the outyear revenue forecast is built. Overall, receipts growth in the three fiscal years following 2010-11 is expected to grow consistent with projected growth in the U.S. and New York economies. For a full discussion of the State's multi-year receipts forecast, see "All Funds Receipts Projections" herein.

General Fund Outyear Disbursement Projections

DOB forecasts General Fund spending of $60.3 billion in 2010-11, an increase of $5.7 billion (10.4 percent) over estimated 2009-10 levels. Growth in 2011-12 is projected at $9.4 billion (15.6 percent) and in 2012-13 at $5.1 billion (7.3 percent). The growth levels are based on current services projections, as modified by the administrative DRP actions contained in the Mid-Year Financial Plan. They do not reflect the potential impact of DRP actions that require the approval of the Legislature or other parties.

Grants to Local Governments

Medicaid

The State share of Medicaid is financed with a combination of General Fund and HCRA resources. Also, the Federal government is financing an additional share of Medicaid costs through December 31, 2010, which temporarily lowers the State's costs for the program.

The General Fund growth trends over the plan period are affected by the availability of HCRA resources and the expiration of Federal aid. General Fund spending for Medicaid is expected to more than double over the next two years, growing by $2.5 billion in 2010-11, $5.0 billion in 2011-12, and another $1.1 billion in 2012-13. These estimates reflect the loss of the enhanced FMAP provided through the Federal American Recovery and Reinvestment Act of 2009 ("ARRA") that is expected to reduce State share spending in 2009-10 and 2010-11 (through December 31, 2010).

MAJOR SOURCES OF ANNUAL CHANGE IN MEDICAID
(millions of dollars)

	2009-10	2010-11	Annual $ Change	Annual % Change	2011-12	Annual % Change	2012-13	Annual % Change
State Funds Growth (Before FMAP)	**13,833**	**15,603**	***1,770***	***12.8%***	**17,647**	***13.1%***	**18,906**	***7.1%***
Enhanced FMAP -- State Share *	(3,155)	(2,883)	*272*	*-8.6%*	0	*-100.0%*	0	-
State Funds Base Growth (After FMAP)	**10,678**	**12,720**	***2,042***	***19.1%***	**17,647**	***38.7%***	**18,906**	***7.1%***
Other State Funds Support	**(4,526)**	**(4,083)**	***443***	***-9.8%***	**(4,058)**	***-0.6%***	**(4,254)**	***4.8%***
HCRA Financing	(2,583)	(2,233)	*350*	*-13.6%*	(2,208)	*-1.1%*	(2,404)	*8.9%*
Provider Assessment Revenue	(687)	(700)	*(13)*	*1.9%*	(700)	*0.0%*	(700)	*0.0%*
Indigent Care Revenue	(1,256)	(1,150)	*106*	*-8.4%*	(1,150)	*0.0%*	(1,150)	*0.0%*
Total General Fund	**6,152**	**8,637**	***2,485***	***40.4%***	**13,589**	***57.3%***	**14,652**	***7.8%***
Local Government Relief (incl. above)	928	1,370	*442*	*47.6%*	1,854	*35.3%*	2,348	*26.6%*

** Excludes enhanced FMAP for other state agencies.*

Overall Medicaid growth results, in part, from the combination of projected increases in recipients, service utilization, and medical care cost inflation that affect nearly all categories of service (e.g., hospitals, nursing homes). The State cap on local Medicaid costs and takeover of local FHP costs are projected to increase spending by roughly $484 million between 2010-11 and 2011-12 and roughly another $497 million from 2011-12 to 2012-13. In 2011-12, an extra weekly payment to providers adds an estimated $400 million in base spending across all categories of service. The remaining General Fund growth is primarily attributable to changes in the resources in other State Funds available to lower General Fund costs, primarily HCRA financing.

The number of Medicaid recipients is expected to grow to 4.81 million in 2010-11, an increase of 9.8 percent from the estimated 2009-10 caseload of 4.38 million.

School Aid

Projected school aid spending reflects expected increases in foundation aid, universal pre-kindergarten expansion, and expense-based aids such as building aid, transportation aid, and excess cost aids. On a school year basis, school aid is projected at $22.5 billion in 2010-11, $24.2 billion in 2011-12, and $26.3 billion in 2012-13.

MULTI-YEAR SCHOOL AID PROJECTIONS - SCHOOL-YEAR BASIS
(millions of dollars)

	2009-10	2010-11	Annual $ Change	Annual % Change	2011-12	Annual % Change	2012-13	Annual % Change
Foundation Aid/Academic Achievement Grant	14,893	14,893	*0*	*0.0%*	15,890	*6.7%*	17,390	*9.4%*
Other Operating Aids	217	217	*0*	*0.0%*	205	*0.0%*	205	*0.0%*
Universal Pre-kindergarten	414	414	*0*	*0.0%*	460	*11.1%*	520	*13.0%*
EXCEL Building Aid*	165	185	*20*	*12.1%*	192	*3.8%*	192	*0.0%*
Expense-Based Aids	5,638	6,129	*491*	*8.7%*	6,650	*8.5%*	7,220	*8.6%*
Other Aid Categories/Initiatives	628	685	*57*	*9.1%*	753	*9.9%*	813	*8.0%*
Total School Aid	**21,955**	**22,523**	***568***	***2.6%***	**24,150**	***7.2%***	**26,340**	***9.1%***

** Represents State debt service costs.*

School aid has two principal State funding sources: the General Fund and the Lottery Fund. When lottery revenues decline during a fiscal year from the level projected at the Enacted Budget agreement, the General Fund is required by law to fund the difference (the "lottery aid guarantee"). This is the case in 2009-10, with core lottery revenue projections revised downward by $131 million since budget enactment. In addition, ARRA funding is expected to be available to help finance spending in the 2009-10 and 2010-11 school years.

MULTI-YEAR SCHOOL AID PROJECTIONS - FISCAL YEAR BASIS
(millions of dollars)

	2009-10	2010-11	Annual $ Change	Annual % Change	2011-12	Annual % Change	2012-13	Annual % Change
General Fund Local Aid	18,019	19,103	1,084	6.0%	20,653	8.1%	22,651	9.7%
Lottery Aid Guarantee	131	0	(131)	-100.0%	0	0.0%	0	0.0%
Core Lottery Aid	2,148	2,148	0	0.0%	2,180	1.5%	2,221	1.9%
VLT Lottery Aid	478	652	174	36.4%	690	5.8%	738	7.0%
Total State Funds	**20,776**	**21,903**	**1,127**	**5.4%**	**23,523**	**7.4%**	**25,610**	**8.9%**

Revenues from core lottery sales are projected to remain flat in 2010-11, followed by an increase of $32 million in 2011-12, and $41 million in 2012-13 (totaling $2.2 billion in 2012-13). Revenues from VLTs are projected to increase by $174 million in 2010-11, by $38 million in 2011-12, and by $48 million in 2012-13 (totaling $738 million in 2012-13). The Financial Plan currently assumes a one-time franchise payment from the sale of VLT development rights at Aqueduct in 2010-11, where operations are expected to begin in 2011. However, the DRP proposes that the VLT franchise payment be finalized in the current year, which would increase lottery resources in the current year and reduce them by a similar amount next year.

Mental Hygiene

Mental hygiene spending is projected to total $2.3 billion in 2010-11, $2.4 billion in 2011-12, and $2.6 billion in 2012-13. Sources of growth include: increases in the projected State share of Medicaid costs; projected expansion of the various mental hygiene service systems, including increases primarily associated with the Office of Mental Retardation and Developmental Disabilities NYS-CARES program; the New York/New York III Supportive Housing agreement and community bed expansion in the Office of Mental Health pipeline that are currently under development; and several chemical dependence treatment and prevention initiatives in the Office of Alcoholism and Substance Abuse Services, including treatment costs associated with recent changes to the Rockefeller Drug Laws.

Social Services

Local assistance spending for children and family services is projected to grow by $148 million from 2009-10 to 2010-11, and over $200 million annually through 2012-13. This is primarily the result of growth in local claims-based programs and statutory cost of living adjustments.

Welfare spending is projected to total $1.5 billion in 2010-11, growing to $1.7 billion by 2012-13. The estimates assume growth in the State's public assistance caseloads, based on the latest economic forecast and updated program data.

Higher Education

Spending is projected to decrease in 2010-11 by $180 million, followed by growth of $162 million in 2011-12, and another $89 million in 2012-13. The annual decline in 2010-11 is primarily attributable to the deferral of approximately $300 million in CUNY spending from 2008-09 to 2009-10, which inflates the 2009-10 base relative to 2010-11.

State Operations

State Operations spending is expected to total $8.9 billion in 2010-11, an annual increase of $462 million (5.4 percent). In 2011-12, spending is projected to grow by another $181 million (2.0 percent) to a total of $9.1 billion, followed by another $128 million (1.4 percent) for a total of $9.3 billion in 2012-13. The personal service projections reflect both the impact of ratified labor contracts and potential spending for unions that have yet to reach agreements (with costs calculated assuming settlements comparable to those already reached); the workforce reduction initiatives; salary adjustments for performance advances, longevity payments and promotions; and adjustments to staffing levels. Inflationary increases for non-personal service costs are expected to result in higher spending in all years. Additional growth is driven by spending for ongoing initiatives, including the civil commitment program for sexual offenders.

General State Charges

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING GENERAL STATE CHARGES

	Actual	Forecast			
	2008-09	2009-10	2010-11	2011-12	2012-13
General State Charges					
ERS Pension Contribution Rate as % of Salary	8.2%	7.3%	12.2%	17.9%	24.1%
PFRS Pension Contribution Rate as % of Salary	15.4%	15.3%	18.4%	25.9%	33.1%
Employee/Retiree Health Insurance Growth Rates	4.8%	4.6%	9.0%	9.0%	9.0%

GSCs are projected to total $4.4 billion in 2010-11, $5.1 billion in 2011-12 and $5.9 billion in 2012-13. The annual increases are due mainly to anticipated cost increases in the State's pension contribution for State employees and retirees.

The State's 2009-10 ERS pension contribution rate as a percentage of salary is expected to grow from 7.3 percent in 2009-10 to 24.1 percent in 2012-13. The Police and Fire Retirement System pension contribution rate is expected to be 15.3 percent in 2009-10, growing to 33.1 percent by 2012-13. Pension costs in 2010-11 are projected to total $1.7 billion, an increase of $474 million over 2009-10. In 2011-12, costs are projected to increase an additional $612 million to total $2.3 billion. In 2012-13, they are expected to increase by $688 million to total $2.9 billion. Growth in all years is driven by anticipated increases in the employer contribution rate. The projections do not reflect the benefit of proposals to create a new tier of pension benefits or amortize a portion of future costs.

Spending for employee and retiree health care costs is expected to remain stable through 2012-13, with an average annual premium increase of approximately 9.0 percent.

FORECAST OF NEW YORK STATE EMPLOYEE HEALTH INSURANCE COSTS (millions of dollars)

	Health Insurance		
Year	Active Employees	Retirees	Total State
2007-08 (Actual)	1,390	1,182	2,572
2008-09 (Actual)	1,673	1,082	2,755
2009-10 (Projected)	1,747	1,130	2,877
2010-11 (Projected)	1,928	1,250	3,178
2011-12 (Projected)	2,089	1,356	3,445
2012-13 (Projected)	2,263	1,472	3,735

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

See discussion of the Governmental Accounting Standards Board ("GASB") Statement 45 later in this Financial Plan for the valuation of future State health insurance costs for State employees.

Transfers to Other Funds

OUTYEAR DISBURSEMENT PROJECTIONS - TRANSFERS TO OTHER FUNDS (millions of dollars)

	2009-10	2010-11	Annual Change	2011-12	Annual Change	2012-13	Annual Change
Transfers to Other Funds:	5,437	6,362	925	7,317	955	7,809	492
Debt Service	1,695	1,774	79	1,728	(46)	1,728	0
Capital Projects	525	1,165	640	1,335	170	1,518	183
Dedicated Highway and Bridge Trust Fund	362	766	404	859	93	949	90
All Other Capital	163	399	236	476	77	569	93
Medicaid State Share	2,292	2,331	39	2,867	536	2,868	1
All Other Transfers	925	1,092	167	1,387	295	1,695	308
Mental Hygiene	7	287	280	549	262	810	261
Medicaid Payments for State Facilities	231	193	(38)	193	0	193	0
Judiciary Funds	149	150	1	156	6	161	5
SUNY- Hospital Operations	135	134	(1)	167	33	167	0
Banking Services	66	66	0	66	0	66	0
Empire State Stem Cell Trust Fund	16	22	6	0	(22)	48	48
Statewide Financial System	0	35	35	50	15	60	10
Lottery Support for School Aid	131	0	(131)	0	0	0	0
All Other	190	205	15	206	1	190	(16)

General Fund transfers help finance certain capital activities, pay debt service for bonds that do not have dedicated revenues, and finance a range of other activities. Highlights include:

- **Debt Service:** Transfers pay for debt service for general obligation bonds, as well as certain lease-purchase and service contract bonds. As the State retires service contract bonds and issues more PIT revenue bonds, this transfer will go down over time.

- **Capital Projects:** The General Fund subsidizes the expenses of the DHBTF, as well as finances certain "hard dollar" capital spending. The DHBTF subsidy increases as the cumulative expenses of the fund (capital and operating expenses of the Department of Transportation and the Department of Motor Vehicles, debt service on DHBTF bonds and transfers for debt service on bonds that fund the Consolidated Highway Improvement Programs and local transportation programs) continue to exceed current and projected revenue deposits and bond proceeds. The General Fund subsidy is projected at $766 million for 2010-11 and $859 million for 2011-12, with additional growth thereafter.

- **Medicaid Share Transfer:** The benefit of increased FMAP reduces the State share of Medicaid spending at State-operated mental hygiene facilities through 2010-11. Beginning in 2011-12, these ARRA moneys are no longer expected to be available, increasing the General Fund transfer.

- **All Other Transfers:** These provide funding for specific purposes, including Mental Hygiene activities and the State's financial management system. Additionally, the General Fund will make annual transfers to approximately a dozen other purposes, including, but not limited to: the Court Facilities Incentive Aid Fund, New York City County Clerks Fund, and Judiciary Data Processing Fund; the Department of Health and SUNY for payments related to patients residing in State-operated facilities; and subsidy payments for SUNY hospitals.

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Year-to-Date Operating Results

General Fund

General Fund operating results through September 2009 were $710 million better than projected in the First Quarterly Update, but this was due primarily to management actions to maintain adequate operating margins and routine variances in the timing of disbursements that are not expected to affect annual spending levels. The most significant action was to change the State's planned contribution of approximately $960 million to the State Retirement System to March 1, 2010, the statutory payment date, from September 2009, where it was originally planned. Excluding the impact of management actions and timing variances, DOB estimates that the General Fund operating results through September 2009 would have been approximately $700 million to $800 million below planned levels.

GENERAL FUND RESULTS: APRIL THROUGH SEPTEMBER 2009 (UNAUDITED)
(millions of dollars)

	Projections			Favorable/ (Unfavorable) vs.		
	Enacted Budget	First Quarterly Update	Actual Reported Results	Enacted Budget	First Quarterly Update	Increase/ (Decrease) from Prior Year
Opening Balance (April 1, 2009)	**1,948**	**1,948**	**1,948**	**n/a**	**n/a**	**(806)**
Receipts	**27,444**	**25,822**	**25,200**	**(2,244)**	**(622)**	**(4,210)**
Personal Income Tax*	17,079	15,652	14,885	(2,194)	(767)	(4,241)
User Taxes and Fees*	5,592	5,306	5,267	(325)	(39)	(377)
Business Taxes	2,335	2,434	2,393	58	(41)	(3)
Other Taxes*	517	493	577	60	84	(460)
Non-Tax Revenue	1,921	1,937	2,078	157	141	871
Disbursements	**26,615**	**26,050**	**24,718**	**1,897**	**1,332**	**(1,773)**
School Aid	7,167	7,070	7,158	9	(88)	524
Medicaid (including admin)	3,576	3,355	3,420	156	(65)	(1,103)
All Other Local	6,015	5,709	5,561	454	148	94
Personal Service	3,768	3,740	3,509	259	231	186
Non-Personal Service	1,117	1,162	1,058	59	104	(169)
General State Charges	2,190	2,328	1,403	787	925	(602)
Transfers To Other Funds	2,782	2,686	2,609	173	77	(703)
Change in Operations	**829**	**(228)**	**482**	**(347)**	**710**	**(2,437)**
Closing Balance (Sep 30, 2009)	**2,777**	**1,720**	**2,430**	**(347)**	**710**	**(3,243)**

** Includes transfers from other funds after debt service.*

Through September 2009, General Fund tax receipts including transfers, were $763 million below the projections included in the First Quarterly Update and $2.4 billion below the initial projections. Lower personal income tax revenue represents nearly all of the variance from Plan. This decline was partly offset by higher non-tax revenue.

Spending results through September 2009 were below the forecast set forth in both the First Quarterly Update ($1.3 billion) and the Enacted Budget ($1.9 billion). The majority of the spending variances reflect management actions and routine changes in the expected timing of payments. The most significant variances include:

- The decision to hold the State's pension payment ($846 million), as well as the Judiciary pension payment ($113 million), until March 1, 2010.
- Payments related to the NYSCOPBA collective bargaining settlements (including retroactive payments) that were planned in September but did not occur until October ($258 million).

- A public assistance payment ($170 million) that was expected at the end of September, but not processed until October 1.

  Additional information on operating results and explanations on variances are provided below.

Summary of General Fund Variances from Plan

Receipts Variance from Plan

The variance in PIT collections was comprised of lower than expected withholding ($221 million); estimated payments ($564 million) due to greater-than expected weakness in both the base and the temporary surcharge on high-income taxpayers; other payments ($22 million); and higher than planned refunds ($2 million). These negative variances were partially offset by a net positive variance of $40 million resulting from the RBTF dedication and subsequent post debt-service transfer to the General Fund.

The user taxes and fees shortfall was due to the sales tax ($75 million) as the result of a significant decline in consumer demand. This was partially offset by positive variances in cigarette, tobacco, and alcoholic beverage taxes and fees totaling $21 million and a net positive variance of $15 million resulting from the LGAC dedication and subsequent post debt-service transfer to the General Fund.

Business tax receipts were $41 million below forecast as a result of lower gross receipts ($171 million) driven by weaker than expected calendar filer estimated payments in September, particularly for both the corporate franchise tax and the bank tax. This variance is partly offset by favorable timing-related variances in audit collections and refunds totaling $130 million. This is primarily due to collections from a financial services audit that was expected to be received later in the fiscal year.

The above declines were partly offset by higher collections for estate tax receipts ($48 million), 18-A utility assessments ($45 million); abandoned property ($41 million); and various fees and reimbursements. These increases are partly offset by the delay of planned fund sweeps ($80 million) and lower than-expected Bottle Bill receipts ($29 million).

Spending Variances from Plan

Local Assistance spending through September 2009 totaled $16.1 billion, consistent with the First Quarterly Update. Higher than planned spending for school aid, including the UPK program and BOCES ($88 million), and Medicaid, due to higher-than-projected weekly cycle payments ($65 million), was offset by the timing of a public assistance payment originally scheduled for September ($170 million) which was delayed until October.

Personal Service spending was lower due to the processing of the NYSCOPBA collective bargaining settlement ($258 million). Non-personal service spending was lower in the areas of Corrections ($29 million), SUNY ($21 million), and public health ($18 million). GSC spending was lower due to the movement of the pension payment. Transfers to Other Funds were lower than planned due mostly to the timing of the State-share of Medicaid reimbursements for State-operated facilities and mental hygiene programs.

General Fund Annual Change

Through September 2009, receipts were $4.2 billion, or 14.3 percent, below the same period in 2008. This annual decline is almost entirely attributable to the drop in personal income tax collections ($4.2 billion), as well as lower sales tax collections.

As of September 2009, spending was $1.8 billion, or 6.8 percent, lower than the prior year. This is due primarily to the timing of the pension payment; reductions in Medicaid spending resulting from the FMAP increase that lowers State spending; ongoing efforts to reduce agency operational spending; and reductions in transfers to other funds to support capital projects spending and State share Medicaid costs. These declines are partly offset by expected growth in school aid, higher education, and mental hygiene spending.

All Governmental Funds

All GOVERNMENTAL FUNDS ACTUAL RESULTS: APRIL THROUGH SEPTEMBER 2009
(millions of dollars)

	Projections			Favorable/ (Unfavorable) vs.		
	Enacted Budget	**First Quarterly Update**	**Actual Reported Results**	**Enacted Budget**	**First Quarterly Update**	**Increase/ (Decrease) from Prior Year**
Receipts	**62,227**	**61,085**	**58,673**	**(3,554)**	**(2,411)**	**660**
Taxes	29,672	28,002	27,263	(2,409)	(738)	*(5,142)*
Miscellaneous Receipts	10,482	10,557	10,740	258	183	*2,244*
Federal Grants	22,073	22,526	20,670	(1,403)	(1,856)	*3,558*
Disbursements	**63,100**	**62,246**	**59,638**	**3,462**	**2,608**	**2,720**
State Operating Funds	37,628	37,244	35,901	1,727	1,343	(883)
General Fund*	23,833	23,364	22,109	1,724	1,255	(1,070)
Special Revenue Funds	11,639	11,771	11,810	(171)	(39)	210
Debt Service Funds	2,156	2,109	1,982	174	127	(23)
Capital Projects Funds	4,121	3,686	3,388	733	298	6
Federal Operating Funds	21,351	21,316	20,349	1,002	967	3,597

** Excludes Transfers.*

All Funds receipts through September 2009 fell below the First Quarterly Update projections by $2.4 billion due to the decline in tax receipts described above, as well as $1.9 billion in lower Federal grants due to the timing of reimbursements.

State Operating Funds spending was $1.3 billion below the First Quarterly Update projections due almost entirely to the General Fund spending variances described above and lower debt service spending resulting from refundings and lower interest rates on variable rate bonds.

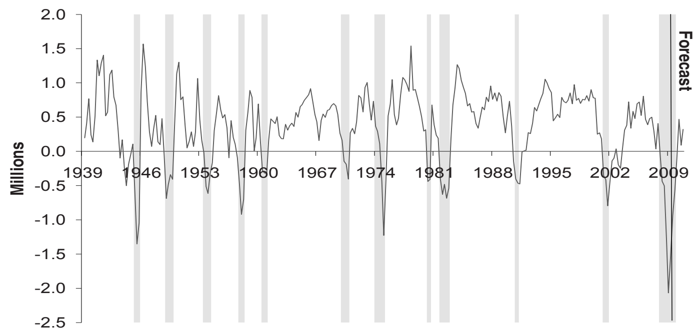
Capital Projects spending was below the First Quarterly Update projections due to delayed spending in the areas of Housing and Community Renewal, Environmental Conservation and Health and Social Welfare. The Federal Operating variance is largely attributable to slower-than-expected spending of Federal ARRA funds for education.

Economic Outlook

The National Economy

The longest and most severe recession since the 1930s appears to be coming to an end. Federal stimulus programs, combined with the reemergence of the world's large developing economies, are having a positive impact on residential housing investment, export growth, and consumer spending. The demand for autos and housing and related consumer expenditures engendered by these programs is likely to result in economic growth of over 3.0 percent for the third quarter of 2009, representing a substantial upward revision from the First Quarterly Update released in July. However, these data indicate that the U.S. economy is not likely to reach its long-term trend growth rate for some time. Although the pace of job losses has diminished, employment is still falling and the unemployment rate is expected to remain close to 10 percent throughout much of 2010. Therefore, it is unlikely that the labor market will be able to support a strong rebound in consumer demand, which accounts for two thirds of the economy, anytime soon. Real U.S. Gross Domestic Product ("GDP") is now projected to rise 2.3 percent for 2010, following a decline of 2.5 percent for 2009.

Quarterly Change in U.S. Employment



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

Although the outlook for 2010 GDP growth has improved since July, the same cannot be said for the labor market. Nonfarm employment is now projected to fall 3.8 percent for the current year, followed by a decline of 0.7 percent for 2010. The weak labor market is having a correspondingly negative impact on income growth. Wage growth for 2009 has been revised down to a decline of 4.5 percent, though the greater part of this modification is due to an unprecedentedly large revision by the U.S. BEA based on more complete wage data from the Quarterly Census of Employment and Wages. Wage growth for the first quarter of 2009 was revised down from a decline of 4.0 percent to a much greater decline of 13.6 percent, likely a reflection of the large decline in bonus payments in New York and other states. Total personal income, of which wages is the largest component, is now projected to rise 2.5 percent in 2010, following a decline of 2.2 percent in 2009. In addition to falling employment and income, households appear to be constraining their spending in order to save more and reduce their record debt levels. Consequently, the outlook for household spending has improved only marginally since July. Real consumption spending is now projected to rise 1.4 percent for 2010, following a decline of 0.7 percent for 2009.

With households unlikely to become the economy's growth engine until the labor market strengthens further, the momentum necessary to sustain the economy's nascent recovery is likely to come from other sources. Stronger than expected global growth and a weaker U.S. dollar have improved the outlook for export growth since July, with real U.S. exports now projected to grow 7.0 percent in 2010, following a more moderate decline of 10.7 percent for 2009. In addition, the Federal stimulus package appears to be having a stronger impact than anticipated earlier, and is likely to continue to do so. It is reported that of the $792 billion authorized by Congress to be disbursed over a roughly two-year period, about 56 percent in combined spending and tax cuts remains available to be spent over the remainder of 2009 and 2010 and will be a sustaining force over the near-term forecast horizon. In addition, what has already been the steepest inventory correction since the 1930s was made even steeper by the unexpectedly strong response to the "cash for clunkers" program. Recent industrial production data, as well as national and regional manufacturer survey results, indicate that businesses are responding to low inventory levels by ramping up production in autos and other sectors. These forces support DOB's outlook for a sustained if less than robust economic recovery for the remainder of 2009 and 2010.

The weakness of the labor market is a signal that businesses are engaged in an effort to reduce costs and bolster productivity growth. The result of this effort has become manifest in stronger growth in corporate profits than anticipated in July. U.S. corporate profits, including the capital consumption and inventory valuation adjustments, are now projected to grow 9.3 percent in 2010, following a more moderate decline of 8.6 percent in 2009. An improved outlook for corporate profits more generally has resulted in significantly stronger equity market growth. The S&P 500 is now projected to rise 17.3 percent in 2010, following a decline of 23.4 percent in 2009. Though the recent improvement in equity prices is due in part to market fundamentals pertaining to business costs and profits, the recent 60 percent increase in equity prices has no doubt also been fueled by speculation and is likely unsustainable over the near-term. Consequently, DOB's outlook for equity markets calls for much lower growth going forward.

U.S. ECONOMIC INDICATORS

(Percent change from prior calendar year)

	2008 Actual	2009 Estimate	2010 Forecast
Real U.S. Gross Domestic Product	0.4	(2.5)	2.3
Consumer Price Index (CPI)	3.8	(0.5)	1.8
Personal Income	2.9	(2.2)	2.5
Nonagricultural Employment	(0.4)	(3.8)	(0.7)

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

DOB's outlook calls for a weak but sustained economic recovery that is likely just getting underway. However, with over seven million jobs lost since December 2007, and continued deleveraging among both households and businesses, there are many risks to the forecast. The health of the banking system remains fragile, particularly at the regional level where weakness in the commercial real estate sector has raised the risk of loan defaults. Consequently, consumer credit continues to remain weak, likely due to both tight lending conditions on the part of banks and higher desired savings rates among households. Although the absence of wage pressure continues to justify a benign inflation outlook, rising commodity prices remain a risk and could force the Federal Reserve to tighten earlier than expected. A historically large Federal deficit and weak U.S. dollar also contribute to both inflation risk and, therefore, interest rate risk, going forward. In addition to the weakness in the private labor market, there are risks within the public sector, normally a stabilizing force during economic downturns, as state and local governments confront their own budgetary deficits. On the other hand, a stronger response to the stimulus package, higher equity prices, or stronger global growth than anticipated could result in stronger economic growth than is reflected in the forecast.

The New York State Economy

Recent data indicate that the New York State economy deteriorated more quickly during the first half of 2009 than had been anticipated in July when the First Quarterly Update to the AIS was released. The declines in private sector employment and wages for the first quarter of 2009 were steeper than originally anticipated, and there are preliminary indications that the same is true for the second quarter as well. These developments reinforce the notion that though the State recession started fully eight months after the U.S. as a whole, it is both catching up quickly and likely to last longer. State employment is now projected to decline 0.5 percent for 2010, following a decline of 2.3 percent for 2009. Private sector employment is projected to fall 0.6 percent for 2010, following a decline of 2.8 percent for 2009. Job declines continue to be led by the manufacturing, construction, and financial services sectors, all of which pay salaries that are higher than the statewide average. Declines in financial services employment appear to be having a large impact on household spending, as evidenced by the unprecedented large declines observed in taxable sales, particularly downstate.

The impact of the current downturn on State wages appears to be even greater than estimated in July. State wages fell 15.0 percent in the first quarter of 2009, about two percentage points greater than the July estimate and the largest quarterly decline in wages in the history of the Quarterly Census of Employment and Wages ("QCEW") data. The unprecedented decline in State wages estimated for the first quarter of 2009 largely reflects the impact of securities industry losses on bonus compensation. DOB now projects a decline of 5.8 percent in total State wages for 2009, which would also be the largest annual decline in the history of QCEW data. Financial market weakness in early 2009, along with a steep decline in high-value real estate market transactions, has also resulted in a downward revision to the level of capital gains realizations estimated for the current year.

Going forward, the improvement in both equity markets and financial sector profits would seem to present some room for optimism for the 2009-10 bonus season. The industry's stellar profit performance in the second quarter is in large part due to the low borrowing costs engendered by the Federal Reserve's historically low interest rate target, as well as its quantitative easing programs. However, efforts by the Federal government to constrain executive compensation represent a countervailing force. Consequently, DOB still projects growth in total State wages of 2.1 percent for 2010, with finance and insurance bonuses now projected to fall 22.0 percent for the 2009-10 State fiscal year.

DOB's outlook for the State economy calls for the current recession ending by the second half of 2010. However, there exists significant downside risk to the projected timing and strength of the coming recovery, given the historically unprecedented decline in wages being witnessed during the current recession. The declines appear to be greatest among the State's high-wage economic sectors, heightening the risk to revenues. As always, all of the risks to the U.S. forecast apply to the State forecast as well, although financial market uncertainty poses a particularly large degree of risk for New York. A larger than anticipated correction to the recent equity market rally could result in a reversal in the recovery of Wall Street profits and a larger decline in 2009-10 bonuses.

Weak credit market conditions and rising debt default rates are expected to continue to put downward pressure on the State's income and tax base by continuing to depress household spending and real estate activity. Real estate market risks are particularly great in the commercial sector where high-value transactions contribute significantly to state and local government revenues, in part through taxable capital gains realizations. Declines in capital gains realizations tend to reduce taxable income among taxpayers paying the highest marginal rates and, as a result, have a disproportionately large impact on PIT receipts. These effects could ripple through the economy, further depressing both employment and wage growth. In contrast, should the national and world economies grow faster than expected, a stronger upturn in stock prices, along with other stronger financial market activity, could result in higher wage and bonus growth than projected.

NEW YORK STATE ECONOMIC INDICATORS
(Percent change from prior calendar year)

	2008 Actual	2009 Estimate	2010 Forecast
Personal Income	3.3	(2.8)	2.1
Wages	2.0	(5.8)	2.1
Nonagricultural Employment	0.7	(2.3)	(0.5)

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

All Funds Receipts Projections

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

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

2009-10 All Funds Receipts Overview

TOTAL RECEIPTS
(millions of dollars)

	2008-09 Actual	2009-10 Mid-Year Update	Annual $ Change	Annual % Change
General Fund	53,801	51,708	(2,093)	-3.9%
State Funds	80,265	80,608	343	0.4%
All Funds	119,235	128,855	9,620	8.1%

All Funds receipts are projected to total $128.9 billion for 2009-10, comprising tax receipts ($59.4 billion), Federal grants ($48.1 billion) and miscellaneous receipts ($21.4 billion). The following table summarizes the actual receipts for 2008-09 and the updated projections for 2009-10 and 2010-11.

TOTAL RECEIPTS
(millions of dollars)

	2008-09 Actual	2009-10 Estimated	Annual $ Change	Annual % Change	2010-11 Projected	Annual $ Change	Annual % Change
General Fund	**53,801**	**51,708**	**(2,093)**	**-3.9%**	**53,982**	**2,274**	**4.4%**
Taxes	38,301	37,272	(1,029)	-2.7%	40,101	2,829	7.6%
Miscellaneous Receipts	3,105	3,114	9	0.3%	2,687	(427)	-13.7%
Federal Grants	45	68	23	51.1%	60	(8)	-11.8%
Transfers	12,350	11,254	(1,096)	-8.9%	11,134	(120)	-1.1%
State Funds	**80,265**	**80,608**	**343**	**0.4%**	**84,587**	**3,979**	**4.9%**
Taxes	60,337	59,383	(954)	-1.6%	63,346	3,963	6.7%
Miscellaneous Receipts	19,883	21,156	1,273	6.4%	21,180	24	0.1%
Federal Grants	45	69	24	53.3%	61	(8)	-11.6%
All Funds	**119,235**	**128,855**	**9,620**	**8.1%**	**133,599**	**4,744**	**3.7%**
Taxes	60,337	59,383	(954)	-1.6%	63,346	3,963	6.7%
Miscellaneous Receipts	20,064	21,385	1,321	6.6%	21,366	(19)	-0.1%
Federal Grants	38,834	48,087	9,253	23.8%	48,887	800	1.7%

The receipts estimates for the current fiscal year have been revised downward significantly. Current year All Funds tax receipt estimates have been lowered by $1.2 billion since the First Quarterly Update, due almost entirely to a reduction in PIT. The anticipated increase in PIT collections due to the recently enacted high-income surcharge has not fully materialized as expected, partially due to timing. In addition, the historic decline in State wages estimated for the current year is having an even more adverse impact on State household spending than expected, particularly for autos and other big-ticket items.

Business tax collections were weaker than anticipated in the First Quarterly Update, mainly due to the overall weakness of the economic environment.

The total All Funds receipts estimate of $128.9 billion represents an increase of $9.6 billion, or 8 percent, above 2008-09 results. This growth is comprised of decreases in taxes ($954 million or 1.6 percent), and increases in miscellaneous receipts ($1.3 billion or 6.6 percent), and Federal grants ($9.3 billion or 23.8 percent).

Total State Funds receipts are estimated at $80.6 billion, an expected increase of $343 million, or 0.4 percent, from 2008-09 actual results. State Funds miscellaneous receipts are estimated to increase $1.3 billion, or 6.4 percent.

Total General Fund receipts, including transfers, are estimated at $51.7 billion, a decrease of $2.1 billion, or 3.9 percent, from 2008-09 results. The decline in General Fund tax receipts is estimated at 2.7 percent. General Fund miscellaneous receipts are estimated to decrease by 0.3 percent.

CHANGE FROM FIRST QUARTERLY UPDATE
(millions of dollars)

	2009-10 First Quarterly Update	2009-10 Mid-Year Update	$ Change	% Change	2010-11 First Quarter Update	2010-11 Mid-Year Update	$ Change	% Change
General Fund*	**41,106**	**40,454**	**(652)**	**-1.6%**	**43,978**	**42,848**	**(1,130)**	**-2.6%**
Taxes	38,137	37,272	(865)	-2.3%	41,231	40,101	(1,130)	-2.7%
Miscellaneous Receipts	2,901	3,114	213	7.3%	2,687	2,687	0	0.0%
Federal Grants	68	68	0	N/A	60	60	0	N/A
State Funds	**81,902**	**80,608**	**(1,294)**	**-1.6%**	**86,250**	**84,587**	**(1,663)**	**-1.9%**
Taxes	60,556	59,383	(1,173)	-1.9%	64,889	63,346	(1,543)	-2.4%
Miscellaneous Receipts	21,277	21,156	(121)	-0.6%	21,300	21,180	(120)	-0.6%
Federal Grants	69	69	0	0.0%	61	61	0	0.0%
All Funds**	**129,790**	**128,855**	**(935)**	**-0.7%**	**134,918**	**133,599**	**(1,319)**	**-1.0%**
Taxes	60,556	59,383	(1,173)	-1.9%	64,889	63,346	(1,543)	-2.4%
Miscellaneous Receipts	21,435	21,385	(50)	-0.2%	21,453	21,366	(87)	-0.4%
Federal Grants	47,799	48,087	288	0.6%	48,576	48,887	311	0.6%

** Excludes Transfers.*
*** Includes MCTD payroll tax.*

After controlling for the impact of Tax Law changes, base tax revenue is estimated to decline 11.0 percent for fiscal year 2009-10. It is estimated that PIT liability for 2009 could have fallen 14.5 percent in the absence of the enacted surcharge and other law changes.

Fiscal Year 2010-11 Overview

Total All Funds receipts are expected to reach nearly $133.6 billion, an increase of $4.7 billion, or 3.7 percent, from 2009-10 estimated receipts. All Funds tax receipts are projected to increase by nearly $4.0 billion or 6.7 percent. All Funds Federal grants are expected to increase by $800 million, or 1.7 percent. All Funds miscellaneous receipts are projected to decrease by $19 million, or 0.1 percent.

Total State Funds receipts are projected to be $84.6 billion, an increase of $4.0 billion, or 4.9 percent from 2009-10 estimated receipts.

Total General Fund receipts (including transfers from other funds) are projected to be nearly $54 billion, an increase of $2.3 billion, or 4.4 percent from 2009-10 estimated receipts. General Fund tax receipts are projected to increase by 7.6 percent from 2009-10 estimates, and General Fund miscellaneous receipts are projected to decrease by 13.7 percent. The decline in General Fund miscellaneous receipts largely reflects the loss of anticipated receipts from New York City.

After controlling for the impact of policy changes, base tax revenue is expected to grow by 5.5 percent for fiscal year 2010-11.

Change from First Quarterly Update

All Funds receipts estimates have been revised downward significantly for fiscal year 2009-10. Tax receipts to date for fiscal year 2009-10, in many revenue categories, have fallen below expectations. As a result of these and other factors outlined below, All Funds tax estimates for the year have been revised downward by $1.2 billion from the First Quarterly Update. Miscellaneous receipts have been revised downward by $50 million, while Federal grants have been revised up by $288 million.

The downward revision to General Fund receipts for fiscal year 2009-10 is $652 million, reflecting a $865 million decrease in taxes.

The downward revisions alluded to above are primarily due to:

- A weaker economic condition and changes in the timing of PIT collections related to the temporary rate increase.

- Weaker than expected to date business tax collections, due to the overall weak economic environment.

Multi-Year Receipts

Total Receipts (millions of dollars)							
	2010-11 Projected	2011-12 Projected	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund	**53,982**	**55,342**	**1,360**	**2.5%**	**55,648**	**306**	**0.6%**
Taxes	40,101	41,359	1,258	3.1%	41,787	428	1.0%
State Funds	**84,587**	**86,746**	**2,159**	**2.6%**	**87,372**	**626**	**0.7%**
Taxes	63,346	65,485	2,139	3.4%	66,377	892	1.4%
All Funds	**133,599**	**130,661**	**(2,938)**	**-2.2%**	**132,142**	**1,481**	**1.1%**
Taxes	63,346	65,485	2,139	3.4%	66,377	892	1.4%

The economic forecast calls for a recession entailing employment losses through the first half of 2010, an historic decline in State wages of 5.8 percent in 2009, and low wage growth of 2.1 percent for 2010. This lowers the economic base on which the outyear revenue forecast is built. Overall, receipts growth in the three fiscal years following 2010-11 is expected to grow consistent with the projected slow growth in the U.S. and New York economies.

All Funds tax receipts in 2011-12 are projected to reach $65.5 billion, an increase of $2.1 billion, or 3.4 percent from 2010-11 estimates. All Funds tax receipts in 2012-13 are expected to increase by $892 million (1.4 percent) over the prior year. General Fund tax receipts are projected to reach $41.4 billion in 2011-12 and $41.8 billion in 2012-13. (See "All Funds Receipts Projections" herein for a detailed explanation of All Funds receipts projections by source).

Revenue Risks

- A significant downside risk remains to the projected timing and strength of the State's economic recovery, given the historically unprecedented decline in wages witnessed during the current recession, particularly within the high-wage economic sectors.

- Real estate markets could remain depressed for longer than expected due to the continued credit crunch and Wall Street retrenchment, which could have a significant negative impact on capital gains realizations and real estate transfer tax collections.

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

- Taxable sales could be driven down further by continued weakness in household spending.

- The temporary PIT rate increases on high-income taxpayers are estimated to raise an additional $3.6 billion in receipts for the 2009 tax year. This estimate is about $400 million below the original projection, but still represents a substantial portion of estimated tax receipts. Given the uncertainty surrounding taxpayer behavior following a law change and the extreme volatility in the sources of income among the State's high-income taxpayers, these estimates are subject to substantial future revisions.

- The real estate transfer tax forecast could continue to be negatively affected by tight credit market conditions. The decline in real estate prices in some areas of the State is likely to depress collections. The number of high value commercial property sales in New York City is expected to continue to decline from recent years.

- Over 50 percent of business tax audit and compliance receipts are expected during the second half of the fiscal year. This represents a risk to the Financial Plan during the October through March period.

- The relationship between economic activity and revenue collections varies over time, especially at business cycle turning points. Due to the payment lags that are built into many revenue statutes, tax collections can lag many years behind when the liability was incurred. Finally, the efforts to cap finance industry executive compensation adds an additional layer of risk to these estimates.

Updated All Funds Disbursements Projections

The 2009-10 spending forecasts for each of the State's major programs and activities have been updated since the First Quarterly Update as more information has become available. The changes include the General Fund revisions, explained in detail earlier in this Mid-Year Financial Plan.

Additional detailed information on annual spending changes for each of the State's major programs and activities may be found in the 2009-10 Enacted Budget Financial Plan available on-line at www.budget.state.ny.us.

TOTAL DISBURSEMENTS* (millions of dollars)							
		2009-10					
	2008-09 Actuals	First Quarterly Estimate	Change	Revised Estimate	Annual $ Change	Annual % Change	Adjusted % Change**
State Operating Funds	**78,168**	**80,471**	**(501)**	**79,970**	**1,802**	**2.3%**	**0.2%**
General Fund (excluding transfers)	48,436	49,422	(249)	49,173	737	1.5%	1.5%
Other State Funds	25,146	25,902	(156)	25,746	600	2.4%	-4.1%
Debt Service Funds	4,586	5,147	(96)	5,051	465	10.1%	10.1%
All Governmental Funds	**121,571**	**133,469**	**(284)**	**133,185**	**11,614**	**9.6%**	**8.2%**
State Operating Funds	78,168	80,471	(501)	79,970	1,802	2.3%	0.2%
Capital Projects Funds	6,830	8,455	(402)	8,053	1,223	17.9%	17.9%
Federal Operating Funds	36,573	44,543	619	45,162	8,589	23.5%	23.5%
General Fund, including Transfers	**54,607**	**55,059**	**(449)**	**54,610**	**3**	**0.0%**	**0.0%**

** Revenue and spending estimates do not include $2.3 billion in potential savings that are subject to approval by the Legislature or an outside entity.*
*** Excludes approximately $1.6 billion in special revenue fund disbursements related to the new Metropolitan Commuter Transportation Mobility Tax, a tax which is collected by the State on behalf of, and transferred in its entirety to, the MTA.*

All Funds spending is projected to total $133.2 billion in 2009-10, a decline of $284 million from the First Quarterly Update. Higher expected spending on an All Funds basis primarily for health care, welfare, mental hygiene, and criminal justice, is more than offset by expected administrative DRP actions. The following table provides a summary of revisions.

2009-10 SPENDING PROJECTIONS UPDATED FOR MID-YEAR UPDATE INCREASE/(DECREASE) IN SPENDING (millions of dollars)	General Fund*	Other State Funds**	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	Total All Funds
First Quarterly Update	**49,422**	**31,049**	**80,471**	**8,455**	**44,543**	**133,469**
Annual Percent Change at Enacted Budget	*2.0%*	*4.4%*	*2.9%*	*23.8%*	*21.8%*	*9.8%*
Reestimates to the First Quarterly Update	**202**	**(53)**	**149**	**(373)**	**628**	**404**
Health Care (incl. Medicaid)	64	40	104	0	568	672
Higher Education	23	0	23	9	0	32
Criminal Justice	84	0	84	0	2	86
Transportation	0	(40)	(40)	(452)	8	(484)
Mental Hygiene	0	22	22	0	70	92
STAR	0	(85)	(85)	0	0	(85)
Federal HAVA Funding (Elections)	0	0	0	0	(97)	(97)
Back-to-School Initiative (Welfare)	35	0	35	0	140	175
All Other	(4)	10	6	70	(63)	13
Administrative DRP Savings	**(451)**	**(199)**	**(650)**	**(29)**	**(9)**	**(688)**
Net Spending Increase/(Decrease)	**(249)**	**(252)**	**(501)**	**(402)**	**619**	**(284)**
Mid-Year Update	**49,173**	**30,797**	**79,970**	**8,053**	**45,162**	**133,185**
Annual Change at Mid-Year Update	*1.5%*	*3.6%*	*2.3%*	*17.9%*	*23.5%*	*9.6%*

**Excludes Transfers*
***Includes State Special Revenue and Debt Service Funds*

State Operating Funds Budget

The changes to the State Operating Funds forecast primarily reflect the General Fund revisions and DRP actions described earlier, which are partially offset by reductions in Other State Funds spending, the largest being STAR. Other changes include revisions to public health and stem cell research based upon activity and spending trends to date.

Capital Budget

Capital spending is projected to total $8.1 billion in 2009-10, a decrease of $402 million from the First Quarterly Update. This reflects a timing reestimate regarding Federal spending on transportation projects supported by ARRA funds, as well as revised spending estimates in several New York State Economic Development programs.

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

Federal Operating Budget

DOB has increased the annual estimate for Federal Operating spending by over $600 million compared to the First Quarterly Update. The changes are largely driven by an increase in Medicaid costs resulting from higher than projected utilization, and increased spending for the Back-to-School Assistance program supported by ARRA funds.

All Funds Annual Spending Change

The major sources of annual spending change from 2008-09 to 2009-10 are presented in the table below. The Enacted Budget provides detailed explanations of the sources of annual spending growth by major program and activity on an All Funds basis.

UPDATED FINANCIAL PLAN DISBURSEMENT PROJECTIONS
MAJOR SOURCES OF ANNUAL CHANGE
(millions of dollars)

	General Fund *	Other State Funds	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	Total All Funds
2008-09 Actuals	**48,436**	**29,732**	**78,168**	**6,830**	**36,573**	**121,571**
School Aid	263	(197)	66	0	1,426	1,492
Medicaid (including admin)	(1,989)	1,097	(892)	0	4,965	4,073
Transportation	(8)	1,272	1,264	264	1	1,529
Public Health	208	(563)	(355)	151	77	(127)
Economic Development	(17)	374	357	176	339	872
Mental Hygiene	103	(86)	17	56	319	392
STAR	0	(996)	(996)	0	0	(996)
Social Services	204	(5)	199	(3)	213	409
Higher Education	448	565	1,013	241	125	1,379
Environmental Conservation	(7)	0	(7)	257	26	276
Other Education Aid	7	(5)	2	49	563	614
General State Charges	785	(321)	464	0	75	539
All Other	740	(70)	670	32	460	1,162
2009-10 Mid-Year Estimate	**49,173**	**30,797**	**79,970**	**8,053**	**45,162**	**133,185**
Annual Dollar Change	*737*	*1,065*	*1,802*	*1,223*	*8,589*	*11,614*
Annual Percent Change	*1.5%*	*3.6%*	*2.3%*	*17.9%*	*23.5%*	*9.6%*

** Excludes transfers.*

GAAP-Basis Financial Plans

The State Budget is required to be balanced on a cash basis, which is DOB's primary focus in preparing and implementing the State Financial Plan. State Finance Law also requires the Financial Plan to be presented for informational purposes on a Generally Accepted Accounting Principles ("GAAP") basis, in accordance with standards and regulations set forth by GASB. Thus, the GAAP projections provided herein are intended to supplement, for informational purposes, the cash-basis Financial Plan. The GAAP-basis plans model the accounting principles applied by OSC in preparation of the 2008-09 Financial Statements. Tables comparing the cash-basis and GAAP-basis General Fund Financial Plans are provided at the end of this Financial Plan.

In 2009-10, the General Fund GAAP Financial Plan shows total revenues of $44.4 billion, total expenditures of $55.4 billion, and net other financing sources of $8.9 billion, resulting in an operating deficit of $2.0 billion prior to proposed actions to close the cash gap and a projected accumulated deficit of $5.0 billion. For the most part, these changes are due primarily to the use of a portion of prior year reserves to support 2009-10 operations and the impact of economic conditions on revenue accruals, primarily PIT.

GASB 45

The State used an independent actuarial consulting firm to calculate retiree health care liabilities. The analysis calculated the present value of the actuarial accrued total liability for benefits as of March 31, 2009 at $55.4 billion ($46.3 billion for the State and $9.1 billion for SUNY), using the level percentage of projected payroll approach under the Frozen Entry Age actuarial cost method.

This liability was disclosed in the 2008-09 basic GAAP financial statements issued by the State Comptroller in July 2009. Governmental Accounting Standards Board ("GASB") rules indicate the liability may be amortized over a 30-year period. Therefore, only the annual amortized liability above the current pay-as-you-go ("PAYGO") costs is recognized in the financial statements. The 2008-09 liability totaled $4.2 billion ($3.2 billion for the State and $1 billion for SUNY), under the Frozen Entry Age actuarial cost method, as amortized based on a level percent of salary. This is $3 billion ($2.3 billion for the State and $0.7 billion for SUNY), above the current retiree costs made on a PAYGO basis in the annual budget. This difference between the State's PAYGO costs and the actuarially determined required annual contribution under GASB 45 reduced the State's currently positive net asset condition at the end of 2008-09 by $3 billion.

GASB does not require the additional costs to be funded in the State's budget, and no funding is assumed for this purpose in the four-year Financial Plan. On a budgetary (cash) basis, the State continues to finance these costs, along with all other employee health care expenses, on a PAYGO basis. See "General Fund Outyear Projections" for a summary of projected spending for this purpose over the Plan period.

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

Special Considerations

The Updated Financial Plan forecast is subject to many complex economic, social, and political risks and uncertainties, many of which are outside the ability of the State to control. These include, but are not limited to: the performance of the national and State economies; the impact of continuing write-downs and other costs affecting the profitability of the financial services sector, and the concomitant effect on bonus income and capital gains realizations; the impact of calendar year 2009 wage and bonus activity on State collections; increased demand in entitlement and claims-based programs such as Medicaid, public assistance and general public health; access to the capital markets in light of disruptions in the municipal bond market; litigation against the State, including, but not limited to, potential challenges to the constitutionality of certain tax actions authorized in the budget, the method of calculating the local share of FMAP, and a class action suit alleging discrimination in the administration of a civil service test between 1996 and 2006; and actions taken by the Federal government, including audits, disallowances, changes in aid levels, and changes to Medicaid rules.

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

An additional risk is the potential cost of collective bargaining agreements and salary increases for judges (and possibly other elected officials) in 2009-10 and beyond. DOB estimates that if all remaining unsettled unions were to agree to the same terms that have been ratified by settled unions, it would result in added costs of approximately $250 million through 2010-11 (assuming a retroactive component for fiscal years prior to 2009-10), and $140 million in both 2011-12 and 2012-13. DOB has included a spending reserve to finance the costs of a pattern settlement for all unsettled unions, the largest of which represents costs for fiscal years 2009-10 and 2010-11 for NYSCOPBA. There can be no assurance that actual settlements will not exceed the amounts included in the Plan. In addition, no reserve has been set aside for potential pay raises for judges.

There can be no assurance that the Legislature or other parties will approve actions (a) on the timetable assumed in the Updated Financial Plan, (b) at levels sufficient to close the estimated budget gap in the current year, or (c) that the administrative savings to close the gap, such as those described above relating to State agency operations, will be achieved at the level estimated in the Updated Financial Plan.

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

Current-Year Budget Gap

The Governor has proposed approximately $3.2 billion in actions to eliminate the estimated current-year budget gap. Approximately three-quarters of the proposed actions require the approval of parties, including the State Legislature and officials at other levels of government that are outside the control of the executive.

There can be no assurance that the budget gaps in the current year or future years will not increase materially from current projections. If this were to occur, the State would be required to take additional gap-closing actions. These may include, but are not limited to, additional reductions in State agency operations; deferral of planned payments to the State retirement system, school districts, vendors, local governments, service providers, or other entities; suspension of capital maintenance and construction;

extraordinary financing of operating expenses; or other measures. In many cases, the ability of the State to implement these actions requires the approval of the Legislature or other entities outside of the control of the executive.

State Workforce Reduction Initiatives

The Financial Plan has been revised to reflect the agreement between Governor Paterson and the State's two largest public employee unions (CSEA and PEF) in order to achieve alternative savings through measures other than potential layoffs. The agreement assumed $260 million in savings over the next two years through a severance payment program, the elimination of funded vacancies, and employee attrition. The DOB-approved agency plans would achieve those $260 million in cost-reductions and they are therefore reflected in the Financial Plan. The State continues to work toward enactment of Tier V and the implementation of Voluntary Reduction in Work Schedule, which are the other components of the agreement. As such, they are not yet reflected in the Financial Plan.

Labor Settlements

The Enacted Budget Financial Plan included a spending reserve of approximately $400 million in 2009-10 and $275 million in both 2010-11 and 2011-12 to finance potential agreements with unsettled unions. The reserve was calculated on the assumption that the agreements would have terms and conditions comparable to the contracts that have been ratified by other unions, including CSEA and PEF. The recent binding arbitration awards for Corrections Officers and Supervisors and the settlement with investigators and senior investigators in the Division of State Police add costs above the pattern of settlements. The costs of the awards are accounted for in the Updated Financial Plan projections. However, it is possible that additional increases will be granted to these unions as part of ongoing negotiations (as well as the unions that cover graduate students and Park Police).

Federal Regulations

Federal regulations pose a risk to State finances, particularly in the area of health care. CMS has attempted to promulgate regulations that, among other actions, seek to limit reimbursement to public providers to actual costs. These regulations were under a Congressional moratorium until July 1, 2009. Although the moratorium on regulations governing public provider cost limits, graduate medical education and rehabilitation services was not extended, the Federal Stimulus bill contained a "Sense of the Congress" provision that the Secretary of Health and Human Services should not promulgate these three regulations in final form. However, Congress also required that an independent assessment of these regulations be conducted to better understand the impact nationwide. Lewin and Associates was retained by CMS to complete this review, and a draft report is expected to be released before the end of this calendar year. Based on data provided by New York State to Lewin and Associates, these regulations, if implemented, would result in a decrease in Federal aid to NYS of some $2.4 billion -- $1.7 billion associated with limiting public provider reimbursement to cost and $700 million stemming from the graduate medical education regulation and the rehabilitation services regulation. These reductions would impact a myriad of State services and programs, including hospitals, clinics, nursing homes, mental hygiene services, EI Program and schools.

Debt Reform Cap

Based on the updated forecasts in the Updated Financial Plan, debt outstanding and debt service costs over the plan period are expected to remain below the limits imposed by the Debt Reform Act. However, the available room under the debt outstanding cap is expected to decline from $6.8 billion in 2009-10 to $52 million in 2012-13. The current projections represent a decline in projected debt capacity as compared to the First Quarterly Update, which estimated that about $762 million in capacity would be available in 2012-13. The revisions primarily reflect the timing of bonding for CUNY and economic development purposes, as offset by a slightly improved forecast for State personal income in future years. The changes to the debt reform projections over the last few quarters demonstrate the sensitivity of the cap calculations to volatility in State personal income levels and other economic factors. Measures to adjust capital spending and debt financing practices may be needed for the State to stay in compliance with the legal debt limit.

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GAAP-Basis Results for Prior Fiscal Years

The Comptroller prepares Basic Financial Statements and other Supplementary Information on a GAAP basis for governments as promulgated by GASB. The Basic Financial Statements, released in July each year, include the Statement of Net Assets and Activities, the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds, the Statements of Net Assets, Revenues, Expenses and Changes in Fund Net Assets and Cash Flows for the Enterprise Funds, the Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets for the Fiduciary Funds and the Combining Statements of Net Assets and Activities for Discretely Presented Component Units. These statements are audited by independent certified public accountants. The Comptroller also prepares and issues a Comprehensive Annual Financial Report, which includes a management discussion and analysis (MD&A), the Basic Financial Statements, required supplementary information, other supplementary information which includes individual fund combining statements, and a statistical section. For information regarding the State's accounting and financial reporting requirements, see the section in the AIS dated May 15, 2009 entitled "State Organization—Accounting, Financial Reporting and Budgeting."

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

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

Fiscal Year Ended	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	All Governmental Funds	Accum. General Fund Surplus/(Deficit)
March 31, 2009	(6,895)	(1,183)	35	44	(7,999)	(2,944)
March 31, 2008	1,567	(1,328)	(293)	(306)	(360)	3,951
March 31, 2007	202	(840)	92	501	(45)	2,384

Summary of Net Assets
(millions of dollars)

Fiscal Year Ended	Governmental Activities	Business-Type Activities	Total Primary Government
March 31, 2009	30,894	3,031	33,925
March 31, 2008	43,510	4,217	47,727
March 31, 2007	45,327	3,599	48,926

State Organization

State Government

The State has a centralized administrative system with most executive powers vested in the Governor. The State has four officials elected in statewide elections, the Governor, Lieutenant Governor, Comptroller and Attorney General. These officials serve four-year terms that next expire on December 31, 2010.

Name	Office	Party Affiliation	First Elected
David A. Paterson*	Governor	Democrat	N/A
Richard Ravitch**	Lieutenant Governor	Democrat	N/A
Thomas P. DiNapoli***	Comptroller	Democrat	2007
Andrew M. Cuomo	Attorney General	Democrat	2006

*Sworn in as Governor on March 17, 2008 following resignation of Governor Spitzer.

**Appointed by the Governor on July 8, 2009. The Governor's authority to appoint a Lieutenant Governor was challenged in court. See Dean G. Skelos, et al. v. David A. Paterson, et al. (Nassau Co. Sup. Ct. Index no. 13426-2009). On September 22, 2009, the State Court of Appeals upheld Governor Paterson's right to appoint Richard Ravitch as Lieutenant Governor.

***Elected by the State Legislature.

The Governor and Lieutenant Governor are elected jointly. David A. Paterson became Governor under provisions of the State Constitution following the resignation of former Governor Spitzer. The vacancy created in the office of Lieutenant Governor was filled on July 8, 2009 when the Governor appointed Richard Ravitch to serve as Lieutenant Governor. The Comptroller and Attorney General are chosen separately by the voters during the election of the Governor. The Governor appoints the heads of most State departments, including the Director of the Budget (the current Director is Robert L. Megna). DOB is responsible for preparing the Governor's Executive Budget, negotiating that budget with the State Legislature, and implementing the budget once it is adopted, which includes updating the State's fiscal projections quarterly. DOB is also responsible for coordinating the State’s capital program and debt financing activities. The Comptroller is responsible for auditing the disbursements, receipts and accounts of the State, as well as for auditing State departments, agencies, public authorities and municipalities. The Comptroller is also charged with managing the State's general obligation debt and most of its investments. The Attorney General is the legal advisor to State departments, represents the State and certain public authorities in legal proceedings and opines upon the validity of all State general obligations.

The State Legislature is composed of a 62-member Senate and a 150-member Assembly, all elected from geographical districts for two-year terms, expiring December 31, 2010. Both the Senate and the Assembly operate on a committee system. The Legislature meets annually, generally for about six months, and remains formally in session the entire year. In recent years there have been special sessions, as well. The current majority leaders of the Legislature are Pedro Espada Jr. (Democrat), and Sheldon Silver (Democrat), Speaker of the Assembly. The Temporary President of the Senate is Malcolm Smith (Democrat). The minority leaders are Dean Skelos (Republican) in the Senate and Brian Kolb (Republican) in the Assembly.

State Retirement Systems

General

The New York State and Local Retirement Systems (the "Systems") provide coverage for public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). The Systems comprise the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System (PFRS). The Comptroller is the administrative head of the Systems. State employees made up about 31 percent of the membership during the 2008-09 fiscal year. There were 3,025 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees) and a large number of local authorities of the State.

As of March 31, 2009, 679,908 persons were members and 366,178 pensioners or beneficiaries were receiving benefits. The State Constitution considers membership in any State pension or retirement system to be a contractual relationship, the benefits of which shall not be diminished or impaired. Members cannot be required to begin making contributions or make increased contributions beyond what was required when membership began.

Recent market volatility and the recent decline in the market value of many equity investments have negatively impacted the assets held for the Systems. The current actuarial smoothing method spreads the impact over a 5-year period, and thus contribution rate increases are expected for fiscal year 2012 through 2015. The amount of such increases would depend, in part, on the value of the pension fund as of each April 1 as well as on the present value of the anticipated benefits to be paid by the pension fund as of each April 1. Final contribution rates for fiscal year 2011 were released in early September 2009. The average 2011 ERS rate increased from 7.4 percent of salary in fiscal year 2010 to 11.9 percent of salary in fiscal year 2011, while the average 2011 PFRS rate increased from 15.1 percent of salary in fiscal year 2010 to 18.2 percent of salary in fiscal year 2011.

Contributions

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

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

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

The State bill for the current fiscal year ending March 31, 2010 is $979.1 million, assuming a payment on March 1, 2010.

Assets and Liabilities

Assets are held exclusively for the benefit of members, pensioners and beneficiaries. Investments for the Systems are made by the Comptroller as trustee of the Common Retirement Fund, a pooled investment vehicle. OSC reports that the net assets available for benefits as of March 31, 2009 were

$110.9 billion (including $2.9 billion in receivables), a decrease of $44.9 billion or 28.8 percent from the 2007-08 level of $155.8 billion, reflecting, in large part, equity market performance. OSC reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from $170.5 billion on April 1, 2008 to $176.6 billion (including $69.0 billion for current retirees and beneficiaries) on April 1, 2009. The funding method used by the Systems anticipates that the net assets, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from net assets on April 1, 2009 in that amortized cost was used instead of market value for bonds and mortgages and the non-fixed investments utilized a smoothing method which recognized 20 percent of unexpected gain for the 2009 fiscal year, 40 percent of the unexpected gain for the 2008 fiscal year, 60 percent of the unexpected gain for the 2007 fiscal year and 80 percent of the unexpected gain for the 2006 fiscal year. Actuarial assets decreased from $151.8 billion on April 1, 2008 to $149.0 billion on April 1, 2009. The funded ratio, as of April 1, 2009, using the entry age normal funding method, was 101 percent. The tables that follow show net assets, benefits paid and the actuarially determined contributions that have been made over the last ten years. See also "Contributions" above.

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

Fiscal Year Ended March 31	Total Assets(2)	Percent Increase/ (Decrease) From Prior Year
2000	128,889	14.3
2001	114,044	(11.5)
2002	112,725	(1.2)
2003	97,373	(13.6)
2004	120,799	24.1
2005	128,038	6.0
2006	142,620	11.4
2007	156,625	9.8
2008	155,846	(0.5)
2009	110,938	(28.8)

Sources: State and Local Retirement Systems.

(1) Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2009 includes approximately $2.9 billion of receivables.

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

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

Fiscal Year Ended March 31	Contributions Recorded: All Participating Employers(1)	Local Employers(1)	State(1)	Employees	Total Benefits Paid(2)
2000	165	11	154	423	3,787
2001	215	112	103	319	4,267
2002	264	199	65	210	4,576
2003	652	378	274	219	5,030
2004	1,287	832	455	222	5,424
2005	2,965	1,877	1,088	227	5,691
2006	2,782	1,714	1,068	241	6,073
2007	2,718	1,730	988	250	6,432
2008	2,649	1,641	1,008	266	6,883
2009	2,456	1,567	889	273	7,265

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

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Authorities and Localities

Public Authorities

For the purposes of this disclosure, public authorities refer to certain of the State's public benefit corporations, created pursuant to State law. Public authorities are not subject to the constitutional restrictions on the incurrence of debt that apply to the State itself and may issue bonds and notes within the amounts and restrictions set forth in legislative authorization. The State's access to the public credit markets could be impaired and the market price of its outstanding debt may be materially and adversely affected if certain of its public authorities were to default on their respective obligations, particularly those using the financing techniques referred to as State-supported or State-related debt under the section entitled "Debt and Other Financing Activities" in this statement. As of December 31, 2008, each of the 19 public authorities below had outstanding debt of $100 million or more, and the aggregate outstanding debt, including refunding bonds, of these public authorities was approximately $140 billion, only a portion of which constitutes State-supported or State-related debt. The table below summarizes the outstanding debt of these public authorities.

Outstanding Debt of Certain Public Authorities (1) (2) (3)
As of December 31, 2008
(millions of dollars)

Public Authority	State-Related Conduit (4)	Authority Revenue Bonding	Other Conduit Bonding	Total
Dormitory Authority (5)	17,109	0	20,983	**38,092**
Metropolitan Transportation Authority	2,194	15,827	0	**18,021**
Port Authority of NY & NJ	0	12,991	0	**12,991**
Thruway Authority	10,312	2,328	0	**12,640**
Housing Finance Agency	1,497	7,754	0	**9,251**
Triborough Bridge and Tunnel Authority	119	8,307	0	**8,426**
Environmental Facilities Corporation	830	7,070	267	**8,167**
Long Island Power Authority (6)	0	6,864	0	**6,864**
UDC/ESDC	6,348	307	0	**6,655**
Local Government Assistance Corporation	3,848	0	0	**3,848**
Energy Research and Development Authority (6)	2	0	3,630	**3,632**
Tobacco Settlement Financing Corporation	3,588	0	0	**3,588**
State of New York Mortgage Agency	0	3,237	0	**3,237**
Power Authority	0	2,096	0	**2,096**
Battery Park City Authority	0	1,023	0	**1,023**
Convention Center Development Corporation	0	700	0	**700**
Municipal Bond Bank Agency	442	39	0	**481**
Niagara Frontier Transportation Authority	0	185	0	**185**
United Nations Development Corporation	0	123	0	**123**
TOTAL OUTSTANDING	46,289	68,851	24,880	**140,020**

Source: Office of the State Comptroller. Debt Classifications are estimated by Budget Division.

(1) Includes only certain of the public authorities which have more than $100 million in outstanding debt.

(2) Reflects original par amounts for bonds and financing arrangements or original gross proceeds in the case of capital appreciation bonds. Amounts outstanding do not reflect accretion of capital appreciation bonds or premiums received.

(3) Includes short-term and long-term debt.

(4) Reflects debt for which the primary repayment source is from State appropriations or assigned revenues of the State.

(5) Includes debt previously issued by New York State Medical Care Facilities Finance Agency, which was consolidated with the Dormitory Authority on September 1, 1995.

(6) Includes $155 million in bonds issued by the New York State Energy Research and Development Authority and included in amounts reported for both NYSERDA and LIPA.

The State has numerous public authorities with various responsibilities, including those which finance, construct and/or operate revenue-producing public facilities. Public authorities generally pay their operating expenses and debt service costs from revenues generated by the projects they finance or operate, such as tolls charged for the use of highways, bridges or tunnels, charges for public power, electric and gas utility services, rentals charged for housing units, and charges for occupancy at medical care facilities. In addition, State legislation authorizes several financing techniques for public authorities that are described under the section entitled "Debt and Other Financing Activities" above.

Also, there are statutory arrangements providing for State local assistance payments otherwise payable to localities to be made under certain circumstances to public authorities. Although the State has no obligation to provide additional assistance to localities whose local assistance payments have been paid to public authorities under these arrangements, the affected localities may seek additional State assistance if local assistance payments are diverted. Some authorities also receive moneys from State appropriations to pay for the operating costs of certain of their programs.

Localities

Certain localities outside New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing has become more common in recent years. Between 2004 and 2008, the State Legislature authorized 17 bond issuances to finance local government operating deficits. In addition, the State has periodically enacted legislation to create oversight boards in order to address deteriorating fiscal conditions within a locality. Currently, the City of Buffalo operates under a control board and the counties of Nassau and Erie as well as the cities of New York and Troy have boards in advisory status. The City of Yonkers no longer operates under an oversight board but must adhere to a separate fiscal agent act. The potential impact on the State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State's receipts and disbursements for the State's 2009-10 fiscal year or thereafter.

Like the State, local governments must respond to changing political, economic and financial influences over which they have little or no control. Such changes may adversely affect the financial condition of certain local governments. For example, the State or Federal government may reduce (or in some cases eliminate) funding of some local programs or disallow certain claims which, in turn, may require local governments to fund these expenditures from their own resources. Similarly, State policymakers have expressed interest in implementing a property tax cap for local governments. Adoption of a property tax cap would affect the amount of property tax revenue available for local government purposes and could adversely affect their operations, particularly those that are heavily dependent on property tax revenue such as school districts. Ultimately, localities or any of their respective public authorities may suffer serious financial difficulties that could jeopardize local access to the public credit markets, which may adversely affect the marketability of notes and bonds issued by localities within the State. Localities may also face unanticipated problems resulting from certain pending litigation, judicial decisions and long-range economic trends. Other large-scale potential problems, such as declining urban populations, increasing expenditures, and the loss of skilled manufacturing jobs, may also adversely affect localities and necessitate State assistance.

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

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

Locality Fiscal Year Ending	Combined New York City Debt (2)(3)		Other Localities Debt(4)		Total Locality Debt(4)	
	Bonds	Notes	Bonds(5)	Notes(5)	Bonds(4)(5)	Notes(5)
1980	12,995	---	6,835	1,793	19,830	1,793
1990	20,027	---	10,253	3,082	30,280	3,082
1995	29,930	---	15,829	3,219	45,759	3,219
1996	31,623	---	16,414	3,590	48,037	3,590
1997	33,046	---	17,526	3,208	50,572	3,208
1998	34,690	---	17,100	3,203	51,790	3,203
1999	37,352	---	18,448	3,420	55,800	3,420
2000	39,244	515	19,082	4,005	58,326	4,520
2001	40,305	---	20,303	4,745	60,608	4,745
2002	42,721	2,200	21,721	5,184	64,442	7,384
2003	47,376	1,110	23,951	6,447	71,327	7,557
2004	50,265	---	26,679	5,120	76,944	5,120
2005	54,421	---	29,240	4,852	83,661	4,852
2006	55,381	---	30,745	4,766	86,126	4,766
2007	58,292	---	32,193	4,523	90,485	4,523

Source: Office of the State Comptroller.

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

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

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

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

(4) Outstanding bonded debt shown includes bonds issued by the localities and certain debt guaranteed by the localities and excludes capital lease obligations (for localities other than New York City), assets held in sinking funds and certain amounts available at the start of a fiscal year for redemption of debt. Starting in 2001, debt for other localities includes Installment Purchase Contracts.

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

Litigation

Tobacco Master Settlement Agreement

In *Freedom Holdings Inc. et al. v. Spitzer et ano*., two cigarette importers brought an action in 2002 challenging portions of laws enacted by the State under the 1998 Tobacco Master Settlement Agreement (MSA) that New York and many other states entered into with the major tobacco manufacturers. The initial complaint alleged: (1) violations of the Commerce Clause of the United States Constitution; (2) the establishment of an "output cartel" in conflict with the Sherman Act; and (3) selective nonenforcement of the laws on Native American reservations in violation of the Equal Protection Clause of the United States Constitution. The United States District Court for the Southern District of New York granted defendants' motion to dismiss the complaint for failure to state a cause of action. Plaintiffs appealed from this dismissal. In an opinion dated January 6, 2004, the United States Court of Appeals for the Second Circuit (1) affirmed the dismissal of the Commerce Clause claim; (2) reversed the dismissal of the Sherman Act claim; and (3) remanded the selective enforcement claim to the District Court for further proceedings. Plaintiffs have filed an amended complaint that also challenges the MSA itself (as well as other related State statutes) primarily on preemption grounds. On September 14, 2004, the District Court denied all aspects of plaintiffs' motion for a preliminary injunction, except that portion of the motion relating to the ability of tobacco manufacturers to obtain the release of certain funds from escrow. Plaintiffs have appealed from the denial of the remainder of the motion to the United States Court of Appeals for the Second Circuit. In May 2005, the Second Circuit affirmed the denial of the preliminary injunction. In December 2006, the motions and cross-motions of the parties for summary judgment were fully submitted to the District Court. By order dated July 7, 2008, the District Court requested updated statistical information and other information needed to resolve certain material questions. Following an evidentiary hearing, by December 15, 2008 order summarizing a preliminary decision, the District Court dismissed all of plaintiff's claims. On January 12, 2009, the Court issued its opinion and order granting judgment dismissing the complaint. Plaintiff has appealed; briefs are fully submitted and oral argument is scheduled for December 2, 2009.

In Grand River Ent. v. King, a cigarette importer raises the same claims as those brought by the plaintiffs in Freedom Holdings, in a suit against the attorneys general of thirty states, including New York. The parties are cross-moving for summary judgment in the United States District Court for the Southern District of New York; briefing is scheduled to be completed on November 4, 2009.

West Valley Litigation

In *State of New York, et al. v. The United States of America, et al*., 06-CV-810 (WDNY), the State and the New York State Energy Research and Development Authority have filed suit seeking (1) a declaration that defendants are liable under CERCLA for the State's response costs and for damages to the State's natural resources resulting from releases from the site in Cattaraugus County, New York, and a judgment reimbursing the State for these costs and damages, (2) a declaration of defendants' responsibilities under the West Valley Demonstration Project Act to decontaminate and decommission the site and for future site monitoring and maintenance, and (3) a declaration that the defendants are responsible for paying the fees for disposal of solidified high level radioactive waste at the West Valley site. The parties have agreed to stay the litigation and submit the issues in (1) and (2) to non-binding arbitration and early neutral evaluation.

As a result of mediation, the parties filed a proposed Consent Decree on October 27, 2009, resolving part of the litigation. The order will propose to settle the claims for CERCLA allocation of costs and the obligations of the United States under the West Valley Demonstration Project by allocating among the parties specific percentages of the cost of each potential remedy for the various structures and contaminated areas on the site. The claim for natural resource damages would be dismissed pursuant to a tolling agreement that would give the plaintiffs three years in which to file a new action or seek another tolling period. The claim regarding the Federal government's obligation to pay fees for disposal of high level radioactive waste from the West Valley Demonstration Project under the Nuclear Waste Policy Act is neither settled nor dismissed and will remain in litigation.

The parties will ask the court to allow a thirty day period for the public to send comments to the State regarding the terms of the proposed Consent Decree. The State will review the comments and, if appropriate, move for entry of the Consent Decree.

Representative Payees

In *Weaver v. State of New York*, filed in the New York State Court of Claims on July 17, 2008, the claimant alleges that executive directors of Office of Mental Health facilities, acting as representative payees under the Federal Social Security Act, have improperly received benefits due to patients and former patients and improperly applied those benefits to defray the cost of patient care and maintenance. The named claimant seeks benefits on her own behalf as well as certification of a class of claimants.

On September 26, 2008, the State moved to dismiss the claim on the grounds that (i) claimant failed to file a motion to certify the class in a timely manner and (ii) claimant's failure to identify the time and place in which each claim arose violates the provisions of Court of Claims Act §11(b). Claimant has opposed the motion and cross-moved, seeking certification of the class, pre-certification discovery, and partial summary judgment. The State submitted reply papers on April 1, 2009. The State has also opposed Claimant's cross-motions, and has submitted a motion for summary judgment. On July 7, 2009, Claimant moved to amend the complaint.

On October 14, 2009, claimant filed an amended complaint that, among other things, added a claimant, changed the class representative, revised the definition of the proposed class of claimants to include only inpatients treated at Office of Mental Health facilities, and dropped certain claims. The Court of Claims has directed the State to resubmit its motion to dismiss the class claims, which is scheduled to be argued December 16, 2009. After the court rules on the motion to dismiss, the State will file an answer with respect to the individual claims. After the answer is filed, the parties can move for summary judgment and, if necessary, move to certify the class.

Bottle Bill Litigation

In International Bottled Water Association, et al. v. Paterson, et al., plaintiffs seek declaratory and injunctive relief declaring that certain amendments to the State's Bottle Bill enacted on April 7, 2009 as part of the 2009-2010 budget violate the due process clause, the equal protection clause and the commerce clause of the United States Constitution. On May 27, 2009, the United States District Court for the Southern District of New York issued a preliminary injunction staying the June 1, 2009 effective date of the amendments to the Bottle Bill and declared that the section of the amendments which requires that the plaintiffs and other beverage manufacturers and distributors place a unique New York-exclusive universal product code on all bottles covered by the law that are offered for sale in the State violates the commerce clause of the United States Constitution. By order entered May 29, 2009 that superseded the above-referenced May 27, 2009 preliminary injunction, the district court granted a preliminary injunction that (1) enjoined the State from implementing or enforcing the New-York exclusive universal product code provision of the Bottle Bill and (2) enjoined the State from implementing or enforcing any and all other amendments to the Bottle Bill signed into law on April 7, 2009, until April 1, 2010, to allow persons subject to the amendments sufficient time to comply with the law's requirements.

The State defendants moved to modify the preliminary injunction. On August 13, 2009 the Court modified the injunction so that its provisions applied only to water bottles, stating that the injunction would dissolve by October 22, 2009 unless the bottlers showed cause that due process required that the injunction should continue. On October 23, 2009, after reviewing the parties' submissions, the Court lifted the injunction, allowing most parts of the state law requiring a five cent deposit on water bottles to take effect October 31, 2009. The Court's decision, however, permanently enjoined the State from implementing a provision that required water bottles to bear a New York-exclusive universal product code on each bottle.

Glossary of Acronyms

(AFSCME)................................American Federation of State, County, and Municipal Employees
(AHC) ....Affordable Housing Corporation
(AIG)................................American International Group
(AIM) ....Aid and Incentive for Municipalities
(ARRA)................................ American Recovery and Reinvestment Act of 2009
(ARS) .... Auction Rate Securities
(ATC)................................ Addiction Treatment Center
(AWP) ....Average Wholesale Price
(BANS) .... Bond Anticipation Notes
(BIC) ....Bond Issuance Change
(BMA)................................ Bond Market Association
(BOCES) ....Board of Cooperative Education Services
(CAFR) ....Comprehensive Annual Financial Report
(CAP) .... Comprehensive Attendance Program
(CDT)................................ Continuing Day Treatment Clinic
(CFE) ....Campaign for Fiscal Equity
(CFIA)................................Court Facilities Incentive Aid
(CHCCDP)................................Community Health Care Conversion Demonstration Project
(CHIPs) ....Consolidated Highway Improvement Programs
(CHP) ....Child Health Plus
(CMS) ....Centers for Medicare and Medicaid Services
(CLCs) .... 21st Century Community Learning Centers
(CLRN) ....Community Legal Resources Network
(COLA) ....Cost-of-Living Adjustment
(COPS)................................Community Optional Preventative Services
(CPFs) ....Community Projects Funds
(CPI)................................ Consumer Price Index
(CQCAPD)................................Commission on Quality Care and Advocacy for Persons with Disabilities
(CRF) ....Contingency Reserve Fund
(CSEA)................................Civil Service Employees Association
(CSTEP)……………………......................….Collegiate Science and Technology Entry Program
(CW/CA)................................ Clean Water/Clean Air
(CWSRF) .... Clean Water State Revolving Fund
(CEFAP) ....Community Enhancement Facilities Assistance Program
(DBE)................................Disadvantaged Business Enterprise
(DHBTF)................................ Dedicated Highway and Bridge Trust Fund
(DRRF) ....Debt Reduction Reserve Fund
(DRP)................................Deficit Reduction Plan
(DSFs)................................Debt Service Funds
(DWSRF) .... Drinking Water Revolving Fund
(EI) ....Early Intervention
(EITC)................................Earned Income Tax Credit
(EMSC)................................Elementary, Middle, Secondary and Continuing Education
(EOCs) .... Educational Opportunity Centers
(EOP) ....Educational Opportunity Program
(EPF)................................Environmental Protection Fund
(EPIC) .... Elderly Pharmaceutical Insurance Coverage
(ERS) ....Employees' Retirement System
(ESCO)................................Energy Service Companies
(EXCEL) .... Expanding our Children's Education and Learning

(FCB) .... Financial Control Board
(FHP) .... Family Health Plus
(FMAP) .... Federal Medical Assistance Percentage
(FMP) .... Fiscal Management Plan
(FSA) .... Financial Security Assurance
(GAAP) .... Generally Accepted Accounting Principles
(GASB) .... Governmental Accounting Standards Board
(GASB 34) .... Governmental Accounting Standards Board Statement 34
(GDP) .... Gross Domestic Product
(GHI) .... Group Health Insurance
(GME) .... Graduate Medical Education
(GOER) .... Governor's Office of Employee Relations
(GPHW) .... General Public Health Works
(GRT) .... Gross Receipts Tax
(GSCs) .... General State Charges
(GSEW) .... Graduate Student Employees Union
(HAF) .... Housing Assistance Fund
(HCBS) .... Home and Community Based Services
(HCRA) .... Health Care Reform Act
(HEAL NY) .... Health Care Equity and Affordability Law for New Yorkers
(HEAP) .... Home Energy Assistance Program
(HELP) .... Higher Education Loan Program
(HHC) .... Health and Hospital Corporation
(HESC) .... Higher Education Services Corporation
(HHAC) .... Homeless Housing Assistance Corporation
(HHAP) .... Homeless Housing Assistance Program
(HIP) .... Health Insurance Plan
(HMO) .... Health Maintenance Organization
(HRPT) .... Hudson River Park Trust
(HTFC) .... Housing Trust Fund Corporation
(IDEA) .... Individuals with Disabilities Education Act
(IFP) .... Industrial Finance Program
(IPO) .... Initial Public Offering
(IGT/DSH) .... Intergovernmental Disproportionate Share
(ITC) .... Investment Tax Credit
(LGAC) .... Local Government Assistance Corporation
(LIBOR) .... London Inter Bank Offered Rates
(LLC) .... Limited Liability Company
(MCFFA) .... Medical Care Facilities Finance Agency
(MCTD) .... Metropolitan Commuter Transportation District
(MMTOA) .... Metropolitan Mass Transportation Operating Assistance Fund
(MTASP) .... Metropolitan Transport Authority Support Program
(MTOA) .... Mass Transportation Operating Assistance Fund
(MOU) .... Memorandum of Understanding
(M/WBE) .... Minority/Women-Owned Business Enterprises
(NAICS) .... North American Industry Classification System
(NBER) .... National Bureau of Economic Research
(NPS) .... Non-Personal Service
(NTI) .... New York State Net Taxable Income
(NYCOMB) .... New York City Office of Management and Budget
(NYSCOPBA) .... New York State Correctional Officers and Police Benevolent Association
(NYS-OPTS) .... New York State Options for People Through Services

(OCA) .... Office of Court Administration
(PACB) .... Public Authorities Control Board
(PAYGO) .... Pay-as-you-go
(PBT) .... Petroleum Business Tax
(PEF) .... Public Employees Federation
(PEP) .... Professional Education Pool
(PFJ) .... Power for Jobs
(PFM) .... Public Financial Management
(PFRS) .... Police and Fire Retirement System
(PIA) .... Patient Income Account
(PILOT) .... Payment in Lieu of Taxes
(PIT) .... Personal Income Tax
(PPA) .... Permanent Place of Abode
(PPI) .... Petroleum Price Index
(PRAG) .... Public Resources Advisory Group
(PSYCKES) .... Psychiatric Services and Clinical Knowledge Enhancement System
(PYCs) .... Prior Year Claims
(QPAI) .... Qualified Production Activity Income
(QCEW) .... Quarterly Census of Employment and Wages
(REIT) .... Real Estate Investment Fund
(RESCUE) .... Rebuilding Schools to Uphold Education
(RIC) .... Regulated Investment Company
(RBTF) .... Revenue Bond Tax Fund
(SAFETEA-LU) .... Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
(SBE) .... Sound Basic Education
(SEIP) .... Supplemental Education Improvement Program
(SFSF) .... State Fiscal Stabilization Fund
(SHU) .... Special Housing Unit
(SIP) .... Strategic Investment Program
(SOMTA) .... Sex Offender Management Treatment Act
(SPIF) .... State Parks Infrastructure Fund
(SRFs) .... Special Revenue Funds
(SSHS) .... School Supportive Health Services
(SSI) .... Supplemental Security Income
(STAR) .... School Tax Relief
(STARC) .... State Tax Asset Receivable Corporation
(STEP) .... Science and Technology Entry Programs
(ST&I) .... Science, Technology, and Innovation
(STIP) .... Short-Term Investment Pool
(SWN) .... Statewide Wireless Network
(TAG) .... Technical Assistance Grant
(TANF) .... Temporary Assistance for Needy Families
(TAP) .... Tuition Assistance Program
(TARP) .... Troubled Asset Relief Plan
(TAS) .... Technical Advisory Service
(TFA) .... Transitional Finance Authority
(TMT) .... Truck Mileage Tax
(TRANs) .... Tax and Revenue Anticipation Notes
(TSA) .... Teacher Support Aid
(TSFC) .... Tobacco Settlement Financing Corporation
(TSRF) .... Tax Stabilization Reserve Fund
(UDC) .... Urban Development Corporation

(UPK) .... Universal Pre-Kindergarten
(UUP) .... United University Professions
(VCI) .... Voluntary Compliance Initiative
(VESID) .... Vocational and Educational Services for Individuals with Disabilities
(VLT) .... Video Lottery Terminal
(VRDBs) .... Variable-Rate Demand Bonds
(VRWS) .... Voluntary Reduction in Work Schedule
(WHTI) .... Western Hemisphere Travel Initiative
(WMS) .... Welfare Management System
(WRP) .... Workforce Reduction Plan

NEW YORK STATE AGENCIES AND PUBLIC AUTHORITIES

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

CASH FINANCIAL PLAN [1]
GENERAL FUND
2009-2010
(millions of dollars)

	First Quarter	Change	Mid-Year
Opening fund balance	1,948	0	1,948
Receipts:			
Taxes:			
Personal income tax	23,552	(721)	22,831
User taxes and fees	8,209	(15)	8,194
Business taxes	5,454	(133)	5,321
Other taxes	922	4	926
Miscellaneous receipts	2,901	213	3,114
Federal Grants	68	0	68
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	7,899	(258)	7,641
Sales tax in excess of LGAC debt service	2,113	(5)	2,108
Real estate taxes in excess of CW/CA debt service	58	48	106
All other	1,190	209	1,399
Total receipts	52,366	(658)	51,708
Disbursements:			
Grants to local governments	36,946	(128)	36,818
State operations:			
Personal Service	6,410	150	6,560
Non-Personal Service	2,223	(297)	1,926
General State charges	3,843	26	3,869
Transfers to other funds:			
Debt service	1,776	(81)	1,695
Capital projects	565	(40)	525
State Share Medicaid	2,362	(70)	2,292
Other purposes	934	(9)	925
Total disbursements	55,059	(449)	54,610
Change in fund balance	(2,693)	(209)	(2,902)
Legislative Actions Needed to Close Gap	2,123	203	2,326
Closing fund balance	1,378	(6)	1,372
Reserves			
Tax Stabilization Reserve Fund	1,031	0	1,031
Statutory Rainy Day Reserve Fund	175	0	175
Contingency Reserve Fund	21	0	21
Community Projects Fund	78	(6)	72
Debt Reduction Reserve Fund *	73	0	73

[1] *The proposed Deficit Reduction Plan to eliminate the projected $3.2 billion budget gap in 2009-10 includes roughly $800 million from actions that DOB believes can be implemented administratively, which are included in the estimates of receipts and disbursements. The remaining $2.3 billion in savings will require approval by the Legislature or other levels of government, or both, and are thus presented only as an elimination of the current year gap and not in the estimates of receipts and disbursements.*

**Reserve Funds that are DOB-designated uses of the Refund Reserve Account.*

Source: NYS DOB

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

	First Quarter	Change	Mid-Year
Receipts:			
Taxes:			
Personal income tax	26,027	(1,031)	24,996
User taxes and fees	8,583	(29)	8,554
Business taxes	5,697	(80)	5,617
Other taxes	924	10	934
Miscellaneous receipts	2,687	0	2,687
Federal Grants	60	0	60
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,346	(388)	7,958
Sales tax in excess of LGAC debt service	2,181	(3)	2,178
Real estate taxes in excess of CW/CA debt service	148	2	150
All other	720	128	848
Total receipts	55,373	(1,391)	53,982
Disbursements:			
Grants to local governments	40,247	353	40,600
State operations:			
Personal Service	6,730	148	6,878
Non-Personal Service	2,304	(234)	2,070
General State charges	4,262	124	4,386
Transfers to other funds:			
Debt service	1,762	12	1,774
Capital projects	1,167	(2)	1,165
State Share Medicaid	2,388	(57)	2,331
Other purposes	1,081	11	1,092
Total disbursements	59,941	355	60,296
Deposit to/(use of) Community Projects Fund	55	(7)	48
HCRA Operating Surplus	0	0	0
Margin	(4,623)	(1,739)	(6,362)

Source: NYS DOB

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

	First Quarter	Change	Mid-Year
Receipts:			
Taxes:			
Personal income tax	26,279	(449)	25,830
User taxes and fees	9,008	(32)	8,976
Business taxes	5,656	(62)	5,594
Other taxes	955	4	959
Miscellaneous receipts	2,583	0	2,583
Federal Grants	60	0	60
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,196	(202)	7,994
Sales tax in excess of LGAC debt service	2,319	(15)	2,304
Real estate taxes in excess of CW/CA debt service	244	0	244
All other	681	117	798
Total receipts	55,981	(639)	55,342
Disbursements:			
Grants to local governments	47,706	418	48,124
State operations:			
Personal Service	6,815	146	6,961
Non-Personal Service	2,374	(206)	2,168
General State charges	5,133	3	5,136
Transfers to other funds:			
Debt service	1,739	(11)	1,728
Capital projects	1,322	13	1,335
State Share Medicaid	2,886	(19)	2,867
Other purposes	1,323	64	1,387
Total disbursements	69,298	408	69,706
Deposit to/(use of) Community Projects Fund	(41)	(7)	(48)
HCRA Operating Surplus	0	0	0
Margin	(13,276)	(1,040)	(14,316)

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
2012-2013
(millions of dollars)

	First Quarter	Change	Mid-Year
Receipts:			
Taxes:			
Personal income tax	25,728	(450)	25,278
User taxes and fees	9,317	(22)	9,295
Business taxes	6,218	(11)	6,207
Other taxes	1,012	(5)	1,007
Miscellaneous receipts	2,583	1	2,584
Federal Grants	60	0	60
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	7,838	(181)	7,657
Sales tax in excess of LGAC debt service	2,465	(12)	2,453
Real estate taxes in excess of CW/CA debt service	330	0	330
All other	692	85	777
Total receipts	56,243	(595)	55,648
Disbursements:			
Grants to local governments	51,366	503	51,869
State operations:			
Personal Service	6,884	145	7,029
Non-Personal Service	2,442	(214)	2,228
General State charges	6,130	(258)	5,872
Transfers to other funds:			
Debt service	1,725	3	1,728
Capital projects	1,476	42	1,518
State Share Medicaid	2,888	(20)	2,868
Other purposes	1,593	102	1,695
Total disbursements	74,504	303	74,807
Deposit to/(use of) Community Projects Fund	(92)	(6)	(98)
HCRA Operating Surplus	6	(6)	0
Margin	(18,163)	(898)	(19,061)

Source: NYS DOB

CASH FINANCIAL PLAN [1]
GENERAL FUND
2009-2010 through 2012-2013
(millions of dollars)

	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected
Receipts:				
Taxes:				
Personal income tax	22,831	24,996	25,830	25,278
User taxes and fees	8,194	8,554	8,976	9,295
Business taxes	5,321	5,617	5,594	6,207
Other taxes	926	934	959	1,007
Miscellaneous receipts	3,114	2,687	2,583	2,584
Federal grants	68	60	60	60
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	7,641	7,958	7,994	7,657
Sales tax in excess of LGAC debt service	2,108	2,178	2,304	2,453
Real estate taxes in excess of CW/CA debt service	106	150	244	330
All other transfers	1,399	848	798	777
Total receipts	51,708	53,982	55,342	55,648
Disbursements:				
Grants to local governments	36,818	40,600	48,124	51,869
State operations:				
Personal Service	6,560	6,878	6,961	7,029
Non-Personal Service	1,926	2,070	2,168	2,228
General State charges	3,869	4,386	5,136	5,872
Transfers to other funds:				
Debt service	1,695	1,774	1,728	1,728
Capital projects	525	1,165	1,335	1,518
State Share Medicaid	2,292	2,331	2,867	2,868
Other purposes	925	1,092	1,387	1,695
Total disbursements	54,610	60,296	69,706	74,807
Deposit to/(use of) Community Projects Fund	(73)	48	(48)	(98)
Deposit to/(use of) Reserve for Timing Related Delays	(163)	0	0	0
Deposit to/(use of) Remaining Prior Year Reserves	(340)	0	0	0
General Fund Margin	(2,326)	(6,362)	(14,316)	(19,061)
HCRA Operating Surplus	0	0	0	0
Legislative Actions Needed to Close Gap	2,326	TBD	TBD	TBD
General Fund Margin	0	(6,362)	(14,316)	(19,061)

[1] *The proposed Deficit Reduction Plan to eliminate the projected $3.2 billion budget gap in 2009-10 includes roughly $800 million from actions that DOB believes can be implemented administratively, which are included in the estimates of receipts and disbursements. The remaining $2.3 billion in savings will require approval by the Legislature or other levels of government, or both, and are thus presented only as an elimination of the current year gap and not in the estimates of receipts and disbursements.*

Source: NYS DOB

CASH FINANCIAL PLAN [1]
STATE OPERATING FUNDS BUDGET
2009-2010
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	1,948	2,471	298	4,717
Receipts:				
Taxes	37,272	8,597	11,468	57,337
Miscellaneous receipts	3,114	13,772	852	17,738
Federal grants	68	1	0	69
Total receipts	40,454	22,370	12,320	75,144
Disbursements:				
Grants to local governments	36,818	17,762	0	54,580
State operations:				
Personal Service	6,560	4,261	0	10,821
Non-Personal Service	1,926	2,734	74	4,734
General State charges	3,869	986	0	4,855
Debt service	0	0	4,977	4,977
Capital projects	0	3	0	3
Total disbursements	49,173	25,746	5,051	79,970
Other financing sources (uses):				
Transfers from other funds	11,254	3,908	6,485	21,647
Transfers to other funds	(5,437)	(1,470)	(13,775)	(20,682)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	5,817	2,438	(7,290)	965
Deposit to/(use of) Community Projects Fund	(73)	0	0	(73)
Deposit to/(use of) Prior Year Reserves	(503)	0	0	(503)
Change in fund balance	(2,326)	(938)	(21)	(3,285)
Legislative Actions Needed to Close Gap	2,326	0	0	2,326
Closing fund balance	1,372	1,533	277	3,182

[1] *The proposed Deficit Reduction Plan to eliminate the projected $3.2 billion budget gap in 2009-10 includes roughly $800 million from actions that DOB believes can be implemented administratively, which are included in the estimates of receipts and disbursements. The remaining $2.3 billion in savings will require approval by the Legislature or other levels of government, or both, and are thus presented only as an elimination of the current year gap and not in the estimates of receipts and disbursements.*

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	1,533	277	1,810
Receipts:				
Taxes	40,101	8,843	12,319	61,263
Miscellaneous receipts	2,687	14,076	819	17,582
Federal grants	60	1	0	61
Total receipts	42,848	22,920	13,138	78,906
Disbursements:				
Grants to local governments	40,600	17,734	0	58,334
State operations:				
Personal Service	6,878	4,271	0	11,149
Non-Personal Service	2,070	2,934	71	5,075
General State charges	4,386	1,069	0	5,455
Debt service	0	0	5,846	5,846
Capital projects	0	2	0	2
Total disbursements	53,934	26,010	5,917	85,861
Other financing sources (uses):				
Transfers from other funds	11,134	3,846	6,874	21,854
Transfers to other funds	(6,362)	(1,190)	(14,113)	(21,665)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	4,772	2,656	(7,239)	189
Deposit to/(use of) Community Projects Fund	48	0	0	48
Change in fund balance	(6,362)	(434)	(18)	(6,814)
Closing fund balance	(6,362)	1,099	259	(5,004)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	1,099	259	1,358
Receipts:				
Taxes	41,359	9,138	12,889	63,386
Miscellaneous receipts	2,583	14,421	836	17,840
Federal grants	60	1	0	61
Total receipts	44,002	23,560	13,725	81,287
Disbursements:				
Grants to local governments	48,124	18,241	0	66,365
State operations:				
Personal Service	6,961	4,656	0	11,617
Non-Personal Service	2,168	2,980	71	5,219
General State charges	5,136	1,265	0	6,401
Debt service	0	0	6,251	6,251
Capital projects	0	2	0	2
Total disbursements	62,389	27,144	6,322	95,855
Other financing sources (uses):				
Transfers from other funds	11,340	4,541	6,421	22,302
Transfers to other funds	(7,317)	(1,253)	(13,823)	(22,393)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	4,023	3,288	(7,402)	(91)
Deposit to/(use of) Community Projects Fund	(48)	0	0	(48)
Change in fund balance	(14,316)	(296)	1	(14,611)
Closing fund balance	(14,316)	803	260	(13,253)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	803	260	1,063
Receipts:				
Taxes	41,787	9,476	12,993	64,256
Miscellaneous receipts	2,584	14,707	855	18,146
Federal grants	60	1	0	61
Total receipts	44,431	24,184	13,848	82,463
Disbursements:				
Grants to local governments	51,869	18,902	0	70,771
State operations:				
Personal Service	7,029	4,674	0	11,703
Non-Personal Service	2,228	3,142	71	5,441
General State charges	5,872	1,424	0	7,296
Debt service	0	0	6,584	6,584
Capital projects	0	2	0	2
Total disbursements	66,998	28,144	6,655	101,797
Other financing sources (uses):				
Transfers from other funds	11,217	4,758	6,502	22,477
Transfers to other funds	(7,809)	(1,049)	(13,711)	(22,569)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	3,408	3,709	(7,209)	(92)
Deposit to/(use of) Community Projects Fund	(98)	0	0	(98)
Change in fund balance	(19,061)	(251)	(16)	(19,328)
Closing fund balance	(19,061)	552	244	(18,265)

Source: NYS DOB

CASH FINANCIAL PLAN [1]
ALL GOVERNMENTAL FUNDS
2009-2010
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	1,948	2,846	(506)	298	4,586
Receipts:					
Taxes	37,272	8,597	2,046	11,468	59,383
Miscellaneous receipts	3,114	14,001	3,418	852	21,385
Federal grants	68	45,475	2,544	0	48,087
Total receipts	40,454	68,073	8,008	12,320	128,855
Disbursements:					
Grants to local governments	36,818	57,600	928	0	95,346
State operations:					
Personal Service	6,560	6,861	0	0	13,421
Non-Personal Service	1,926	4,448	0	74	6,448
General State charges	3,869	1,996	0	0	5,865
Debt service	0	0	0	4,977	4,977
Capital projects	0	3	7,125	0	7,128
Total disbursements	49,173	70,908	8,053	5,051	133,185
Other financing sources (uses):					
Transfers from other funds	11,254	7,010	768	6,485	25,517
Transfers to other funds	(5,437)	(5,122)	(1,201)	(13,775)	(25,535)
Bond and note proceeds	0	0	483	0	483
Net other financing sources (uses)	5,817	1,888	50	(7,290)	465
Deposit to/(use of) Community Projects Fund	(73)	0	0	0	(73)
Deposit to/(use of) Prior Year Reserves	(503)	0	0	0	(503)
Change in fund balance	(2,326)	(947)	5	(21)	(3,289)
Legislative Actions Needed to Close Gap	2,326	0	0	0	2,326
Closing fund balance	1,372	1,899	(501)	277	3,047

[1] *The proposed Deficit Reduction Plan to eliminate the projected $3.2 billion budget gap in 2009-10 includes roughly $800 million from actions that DOB believes can be implemented administratively, which are included in the estimates of receipts and disbursements. The remaining $2.3 billion in savings will require approval by the Legislature or other levels of government, or both, and are thus presented only as an elimination of the current year gap and not in the estimates of receipts and disbursements.*

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	1,899	(501)	277	1,675
Receipts:					
Taxes	40,101	8,843	2,083	12,319	63,346
Miscellaneous receipts	2,687	14,262	3,598	819	21,366
Federal grants	60	46,192	2,635	0	48,887
Total receipts	42,848	69,297	8,316	13,138	133,599
Disbursements:					
Grants to local governments	40,600	58,217	895	0	99,712
State operations:					
Personal Service	6,878	6,929	0	0	13,807
Non-Personal Service	2,070	4,689	0	71	6,830
General State charges	4,386	2,212	0	0	6,598
Debt service	0	0	0	5,846	5,846
Capital projects	0	2	8,095	0	8,097
Total disbursements	53,934	72,049	8,990	5,917	140,890
Other financing sources (uses):					
Transfers from other funds	11,134	7,102	1,542	6,874	26,652
Transfers to other funds	(6,362)	(4,786)	(1,420)	(14,113)	(26,681)
Bond and note proceeds	0	0	603	0	603
Net other financing sources (uses)	4,772	2,316	725	(7,239)	574
Deposit to/(use of) Community Projects Fund	48	0	0	0	48
Change in fund balance	(6,362)	(436)	51	(18)	(6,765)
Closing fund balance	(6,362)	1,463	(450)	259	(5,090)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	1,463	(450)	259	1,272
Receipts:					
Taxes	41,359	9,138	2,099	12,889	65,485
Miscellaneous receipts	2,583	14,557	3,360	836	21,336
Federal grants	60	41,145	2,635	0	43,840
Total receipts	44,002	64,840	8,094	13,725	130,661
Disbursements:					
Grants to local governments	48,124	54,260	954	0	103,338
State operations:					
Personal Service	6,961	6,960	0	0	13,921
Non-Personal Service	2,168	4,605	0	71	6,844
General State charges	5,136	2,359	0	0	7,495
Debt service	0	0	0	6,251	6,251
Capital projects	0	2	7,910	0	7,912
Total disbursements	62,389	68,186	8,864	6,322	145,761
Other financing sources (uses):					
Transfers from other funds	11,340	7,390	1,775	6,421	26,926
Transfers to other funds	(7,317)	(4,336)	(1,478)	(13,823)	(26,954)
Bond and note proceeds	0	0	510	0	510
Net other financing sources (uses)	4,023	3,054	807	(7,402)	482
Deposit to/(use of) Community Projects Fund	(48)	0	0	0	(48)
Change in fund balance	(14,316)	(292)	37	1	(14,570)
Closing fund balance	(14,316)	1,171	(413)	260	(13,298)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	1,171	(413)	260	1,018
Receipts:					
Taxes	41,787	9,476	2,121	12,993	66,377
Miscellaneous receipts	2,584	14,843	2,788	855	21,070
Federal grants	60	41,902	2,733	0	44,695
Total receipts	44,431	66,221	7,642	13,848	132,142
Disbursements:					
Grants to local governments	51,869	55,666	922	0	108,457
State operations:					
Personal Service	7,029	6,989	0	0	14,018
Non-Personal Service	2,228	4,772	0	71	7,071
General State charges	5,872	2,607	0	0	8,479
Debt service	0	0	0	6,584	6,584
Capital projects	0	2	7,360	0	7,362
Total disbursements	66,998	70,036	8,282	6,655	151,971
Other financing sources (uses):					
Transfers from other funds	11,217	7,700	1,751	6,502	27,170
Transfers to other funds	(7,809)	(4,134)	(1,513)	(13,711)	(27,167)
Bond and note proceeds	0	0	428	0	428
Net other financing sources (uses)	3,408	3,566	666	(7,209)	431
Deposit to/(use of) Community Projects Fund	(98)	0	0	0	(98)
Change in fund balance	(19,061)	(249)	26	(16)	(19,300)
Closing fund balance	(19,061)	922	(387)	244	(18,282)

Source: NYS DOB

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

	2008-2009 Actuals	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT					
Agriculture and Markets, Department of	109,631	109,035	115,546	136,862	118,128
Alcoholic Beverage Control	17,022	17,401	18,323	18,807	19,725
Banking Department	78,971	85,231	88,500	87,846	89,682
Consumer Protection Board	3,840	3,026	3,196	3,161	3,251
Economic Development Capital Programs	21,176	12,300	2,500	2,500	2,500
Economic Development, Department of	104,306	79,853	99,492	104,520	119,520
Empire State Development Corporation	620,568	534,021	760,524	529,254	339,254
Energy Research and Development Authority	22,786	29,427	37,412	33,826	33,826
Housing and Community Renew al, Division of	320,605	920,926	448,000	309,668	310,222
Insurance Department	292,668	676,587	531,616	555,639	560,531
Olympic Regional Development Authority	9,503	9,078	7,283	7,493	7,493
Public Service, Department of	78,697	77,316	83,004	85,829	88,393
Science, Technology and Innovation, Foundation for	27,186	29,549	55,446	55,864	49,523
Strategic Investment	3,195	6,650	4,000	4,000	5,000
Functional Total	1,710,154	2,590,400	2,254,842	1,935,269	1,747,048
PARKS AND THE ENVIRONMENT					
Adirondack Park Agency	5,510	5,552	5,751	5,754	5,756
Environmental Conservation, Department of	878,910	1,153,120	1,163,051	914,212	905,661
Environmental Facilities Corporation	14,758	9,831	10,110	10,292	10,476
Hudson River Park Trust	14,290	21,392	10,000	0	0
Parks, Recreation and Historic Preservation, Office of	337,061	310,819	255,507	242,103	243,721
Functional Total	1,250,529	1,500,714	1,444,419	1,172,361	1,165,614
TRANSPORTATION					
Motor Vehicles, Department of	318,270	326,518	346,965	359,018	371,910
Thruw ay Authority	1,419	1,800	1,800	1,800	1,800
Metropolitan Transportation Authority	160,000	195,300	206,500	194,500	183,600
Transportation, Department of	6,498,414	7,985,396	8,800,422	9,093,371	9,289,464
Functional Total	6,978,103	8,509,014	9,355,687	9,648,689	9,846,774
HEALTH AND SOCIAL WELFARE					
Aging, Office for the	239,660	225,148	233,507	230,397	230,397
Children and Family Services, Office of	3,143,806	3,272,854	3,452,369	3,559,572	3,776,281
OCFS	3,097,973	3,202,017	3,336,883	3,422,817	3,635,521
OCFS - Medicaid	45,833	70,837	115,486	136,755	140,760
Health, Department of	38,097,712	42,050,613	44,993,830	48,133,691	50,399,566
Medical Assistance	32,427,350	36,485,669	39,044,125	42,007,445	44,393,013
Medicaid Administration	900,664	915,500	959,500	1,003,750	1,049,750
Public Health	4,769,698	4,649,444	4,990,205	5,122,496	4,956,803
Health - Medicaid Assistance	0	0	0	0	0
Human Rights, Division of	19,043	21,804	20,373	20,741	21,347
Labor, Department of	581,613	913,898	749,110	652,512	648,826
Medicaid Inspector General, Office of	61,224	79,245	81,743	85,160	85,160
Prevention of Domestic Violence, Office for	2,482	2,328	2,274	2,286	2,307
Stem Cell and Innovation	7,797	18,039	66,289	67,860	162,615

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

	2008-2009 Actuals	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected
HEALTH AND SOCIAL WELFARE (Continued)					
Temporary and Disability Assistance, Office of	5,084,635	5,367,644	5,241,333	5,341,708	5,360,338
Welfare Assistance	3,339,685	3,918,369	3,773,305	3,891,183	3,891,847
Welfare Administration	361,065	56,433	55,041	55,041	55,041
All Other	1,383,885	1,392,842	1,412,987	1,395,484	1,413,450
Welfare Inspector General, Office of	1,180	1,403	1,432	1,456	1,472
Workers' Compensation Board	205,090	192,924	202,931	193,503	201,439
Functional Total	47,444,242	52,145,900	55,045,191	58,288,886	60,889,748
MENTAL HYGIENE					
Mental Health, Office of	3,084,590	3,300,847	3,591,364	3,814,538	3,977,361
OMH	1,423,983	1,510,713	1,654,224	1,797,399	1,860,239
OMH - Medicaid	1,660,607	1,790,134	1,937,140	2,017,139	2,117,122
Mental Hygiene, Department of	308,318	1,570	1,997	1,484	1,484
Mental Retardation and Developmental Disabilities, Office of	4,183,851	4,267,754	4,520,557	4,722,441	4,948,178
OMRDD	559,080	546,785	553,810	578,295	601,632
OMRDD - Medicaid	3,624,771	3,720,969	3,966,747	4,144,146	4,346,546
Alcoholism and Substance Abuse Services, Office of	584,954	644,947	687,416	763,545	800,853
OASAS	484,789	544,049	578,382	650,404	684,255
OASAS - Medicaid	100,165	100,898	109,034	113,141	116,598
Developmental Disabilities Planning Council	4,915	4,200	4,200	4,200	4,200
Quality of Care for the Mentally Disabled, Commission on	15,207	17,160	18,059	18,283	18,656
Functional Total	8,181,835	8,236,478	8,823,593	9,324,491	9,750,732
PUBLIC PROTECTION					
Capital Defenders Office	370	0	0	0	0
Correction, Commission of	2,687	2,582	2,948	2,987	3,039
Correctional Services, Department of	2,699,307	2,992,031	2,825,314	2,851,484	2,890,234
Crime Victims Board	65,521	70,049	65,767	65,949	66,304
Criminal Justice Services, Division of	295,559	268,843	266,243	250,602	231,941
Homeland Security	108,459	360,097	283,536	550,062	547,171
Investigation, Temporary State Commission of	3,554	0	0	0	0
Judicial Commissions	5,288	5,062	5,056	5,159	5,233
Military and Naval Affairs, Division of	234,686	219,693	220,406	186,510	187,521
Parole, Division of	196,590	189,995	188,011	191,965	195,958
Probation and Correctional Alternatives, Division of	79,273	69,143	70,964	77,158	78,696
State Police, Division of	653,750	796,788	764,878	761,500	737,576
Functional Total	4,345,044	4,974,283	4,693,123	4,943,376	4,943,673

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

	2008-2009 Actuals	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected
EDUCATION					
Arts, Council on the	45,842	48,983	48,487	48,700	48,756
City University of New York	1,071,277	1,692,892	1,479,434	1,573,927	1,666,524
Education, Department of	30,553,372	31,657,189	33,570,156	33,320,324	35,329,424
School Aid	23,164,174	24,722,363	26,418,987	26,330,875	28,156,780
School Aid - Medicaid Assistance	106,331	40,000	80,000	80,000	80,000
STAR Property Tax Relief	4,435,383	3,439,450	3,480,270	3,677,620	3,854,167
Special Education Categorical Programs	1,783,639	2,260,030	2,427,750	2,089,470	2,092,790
All Other	1,063,845	1,195,346	1,163,149	1,142,359	1,145,687
Higher Education Services Corporation	909,663	1,022,775	1,063,731	993,458	998,653
Higher Education Capital Grants	4,254	67,746	40,000	38,000	0
State University Construction Fund	16,482	19,277	21,052	21,635	22,819
State University of New York	6,484,894	7,168,483	7,658,442	7,777,211	7,857,283
Functional Total	39,085,784	41,677,345	43,881,302	43,773,255	45,923,459
GENERAL GOVERNMENT					
Audit and Control, Department of	258,126	263,980	265,052	268,762	273,321
Budget, Division of the	43,813	73,078	82,832	95,870	106,316
Civil Service, Department of	23,744	21,978	21,955	22,176	22,447
Elections, State Board of	97,117	63,724	97,928	6,977	7,119
Employee Relations, Office of	3,694	3,423	3,753	3,791	3,830
Executive Chamber	19,252	17,844	18,819	19,443	19,720
General Services, Office of	215,793	222,955	217,997	224,791	229,160
Inspector General, Office of	6,446	6,582	6,896	6,972	7,057
Law , Department of	231,205	236,839	240,144	247,122	251,646
Lieutenant Governor, Office of the	133	0	276	1,193	1,208
Lottery, Division of	200,951	169,174	174,975	175,561	177,151
Public Employment Relations Board	3,660	4,171	4,491	4,530	4,578
Public Integrity, Commission on	4,879	4,721	4,873	5,206	5,386
Racing and Wagering Board, State	24,307	23,301	24,400	24,791	25,754
Real Property Services, Office of	58,369	44,563	41,197	42,208	42,795
Regulatory Reform, Governor's Office of	3,438	2,215	2,445	2,445	2,445
State, Department of	181,137	215,351	203,610	156,575	159,111
Tax Appeals, Division of	3,422	2,971	2,968	2,968	2,968
Taxation and Finance, Department of	372,992	407,374	418,487	419,518	422,187
Technology, Office for	21,364	128,415	148,079	153,821	126,772
Lobbying, Temporary State Commission on	(77)	0	0	0	0
Veterans Affairs, Division of	15,720	16,976	17,911	17,513	17,675
Functional Total	1,789,485	1,929,635	1,999,088	1,902,233	1,908,646
ALL OTHER CATEGORIES					
Legislature	221,729	225,717	220,717	220,717	220,717
Judiciary (excluding fringe benefits)	2,425,844	2,555,026	2,725,941	2,919,326	2,946,710
World Trade Center	48,622	50,000	50,000	50,000	50,000
Local Government Assistance	1,037,389	1,116,926	1,125,404	1,126,745	1,136,543
Long-Term Debt Service	4,585,862	5,050,975	5,917,000	6,322,039	6,655,297
Capital Projects	0	0	0	0	0
General State Charges	2,443,102	3,173,169	3,678,059	4,402,653	5,133,843
Miscellaneous	23,880	(552,230)	(327,976)	(269,449)	(347,318)
Functional Total	10,786,428	11,619,583	13,389,145	14,772,031	15,795,792
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	121,571,604	133,183,352	140,886,390	145,760,591	151,971,486

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

Source: NYS DOB

CASHFLOW [1]
GENERAL FUND
2009-2010
(dollars in millions)

	2009 April Actuals	May Actuals	June Actuals	July Actuals	August Actuals	September Actuals	October Projected	November Projected	December Projected	2010 January Projected	February Projected	March Projected	Total
OPENING BALANCE	1,948	2,799	37	1,027	1,013	713	2,430	1,190	(146)	(1,088)	3,932	2,180	1,948
RECEIPTS:													
Personal Income Tax	2,867	744	2,058	1,630	1,478	2,352	1,508	1,248	503	5,406	1,189	1,848	22,831
User Taxes and Fees	614	594	804	613	618	860	640	642	795	694	564	756	8,194
Business Taxes	61	(16)	1,195	35	108	1,010	159	(4)	1,020	83	81	1,589	5,321
Other Taxes	51	96	65	83	63	139	66	72	76	71	71	73	926
Total Taxes	3,593	1,418	4,122	2,361	2,267	4,361	2,373	1,958	2,394	6,254	1,905	4,266	37,272
Licenses, Fees, etc.	28	64	44	42	57	79	44	38	35	27	32	110	600
Abandoned Property	9	0	29	0	28	83	16	107	27	53	40	133	525
Reimbursements	10	11	33	10	45	45	50	19	18	6	9	16	272
Investment Income	3	0	3	1	2	1	2	2	2	3	2	4	25
Other Transactions	31	125	144	(100)	60	783	34	38	82	37	30	428	1,692
Total Miscellaneous Receipts	81	200	253	(47)	192	991	146	204	164	126	113	691	3,114
Federal Grants	5	24	0	0	16	0	0	0	0	0	0	23	68
PIT in Excess of Revenue Bond Debt Service	954	165	928	542	213	953	471	116	985	1,189	213	912	7,641
Sales Tax in Excess of LGAC Debt Service	159	66	363	185	119	273	197	188	230	207	2	119	2,108
Real Estate Taxes in Excess of CW/CA Debt Service	20	12	10	(3)	16	17	2	5	6	7	7	7	106
All Other	16	193	91	37	25	8	96	13	13	13	13	881	1,399
Total Transfers from Other Funds	1,149	436	1,392	761	373	1,251	766	322	1,234	1,416	235	1,919	11,254
TOTAL RECEIPTS	4,828	2,078	5,767	3,075	2,848	6,603	3,285	2,484	3,792	7,796	2,253	6,899	51,708
DISBURSEMENTS:													
School Aid	588	2,730	1,892	85	514	1,349	439	1,083	1,586	286	765	6,702	18,019
Higher Education	31	15	783	58	262	75	175	327	229	65	299	502	2,821
All Other Education	50	103	148	94	60	157	548	71	107	74	79	143	1,634
Medicaid - DOH	889	614	(88)	705	739	560	675	768	349	436	422	83	6,152
Public Health	47	52	40	123	59	68	25	31	107	65	40	51	708
Mental Hygiene	13	22	371	28	32	512	150	12	371	119	138	398	2,166
Children and Families	20	157	83	148	82	231	167	92	281	65	81	381	1,788
Temporary & Disability Assistance	63	61	59	381	100	114	303	62	(16)	62	4	116	1,309
Transportation	0	13	5	0	22	2	0	25	21	0	0	12	100
All Other	53	1	445	39	51	229	0	93	507	44	30	629	2,121
Total Local Assistance Grants	1,754	3,768	3,738	1,661	1,921	3,297	2,482	2,564	3,542	1,216	1,858	9,017	36,818
Personal Service	748	460	515	608	563	616	628	476	521	507	391	527	6,560
Non-Personal Service	213	188	163	148	189	158	116	175	207	166	129	74	1,926
Total State Operations	961	648	678	756	752	774	744	651	728	673	520	601	8,486
General State Charges	387	4	219	268	310	214	300	268	215	371	1,354	(41)	3,869
Debt Service	488	92	31	14	36	258	554	0	0	223	0	(1)	1,695
Capital Projects	31	40	29	64	(73)	108	78	16	39	67	52	74	525
State Share Medicaid	238	208	52	293	165	181	240	258	187	187	147	136	2,292
Other Purposes	118	80	30	33	37	54	127	63	23	39	74	247	925
Total Transfers to Other Funds	875	420	142	404	165	601	999	337	249	516	273	456	5,437
TOTAL DISBURSEMENTS	3,977	4,840	4,777	3,089	3,148	4,886	4,525	3,820	4,734	2,776	4,005	10,033	54,610
Excess/(Deficiency) of Receipts over Disbursements	851	(2,762)	990	(14)	(300)	1,717	(1,240)	(1,336)	(942)	5,020	(1,752)	(3,134)	(2,902)
CLOSING BALANCE (BEFORE ACTIONS)	**2,799**	**37**	**1,027**	**1,013**	**713**	**2,430**	**1,190**	**(146)**	**(1,088)**	**3,932**	**2,180**	**(954)**	**(954)**
Legislative Actions Needed to Close Gap[2]	0	0	0	0	0	0	0	40	395	70	360	1,461	2,326
CLOSING BALANCE (AFTER ACTIONS)	2,799	37	1,027	1,013	713	2,430	1,190	(106)	(653)	4,437	3,045	1,372	1,372

The proposed Deficit Reduction Plan to eliminate the projected $3.2 billion budget gap in 2009-10 includes roughly $800 million from actions that DOB believes can be implemented administratively, which are included in the estimates of eceipts and disbursements. The remaining $2.3 billion in savings will require approval by the Legislature or other levels of government, or both, and are thus presented only as an elimination of the current year gap and not in the estimates of eceipts and disbursements.

The monthly flow of the proposed actions needed to close the gap assumes legislative action on the DRP, as proposed, occurs in mid-November. Certain transactions must be executed in December to achieve savings assumed in the cash low, including local aid reductions to school aid, transit systems and other programs, as well as several fund sweeps.

Source: NYS DOB

GAAP FINANCIAL PLAN
GENERAL FUND
2009-2010 THROUGH 2012-2013
(millions of dollars)

	2009-2010 Mid-Year	2010-2011 Projected	2011-2012 Projected	2012-13 Projected
Revenues:				
Taxes:				
Personal income tax	23,979	24,610	25,223	24,936
User taxes and fees	8,097	8,570	9,003	9,324
Business taxes	5,314	5,626	5,591	6,214
Other taxes	931	951	992	1,047
Miscellaneous revenues	6,026	5,414	5,422	5,466
Federal grants	68	60	60	60
Total revenues	44,415	45,231	46,291	47,047
Expenditures:				
Grants to local governments	38,895	42,842	50,440	54,134
State operations	12,247	12,628	14,691	15,577
General State charges	4,219	4,650	4,018	4,884
Debt service	0	0	0	0
Capital projects	1	0	0	0
Total expenditures	55,362	60,120	69,149	74,595
Other financing sources (uses):				
Transfers from other funds	14,560	14,791	14,519	18,737
Transfers to other funds	(6,095)	(6,902)	(7,133)	(11,836)
Proceeds from financing arrangements/ advance refundings	450	355	360	359
Net other financing sources (uses)	8,915	8,244	7,746	7,260
Operating Surplus/(Deficit)	(2,032)	(6,645)	(15,112)	(20,288)

Source: NYS DOB

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

	First Quarter	Change	Mid-Year
Revenues:			
Taxes:			
Personal income tax	24,957	(978)	23,979
User taxes and fees	8,046	51	8,097
Business taxes	5,449	(135)	5,314
Other taxes	830	101	931
Miscellaneous revenues	5,933	93	6,026
Federal grants	68	0	68
Total revenues	45,283	(868)	44,415
Expenditures:			
Grants to local governments	38,970	(75)	38,895
State operations	12,386	(139)	12,247
General State charges	4,194	25	4,219
Debt service	0	0	0
Capital projects	1	0	1
Total expenditures	55,551	(189)	55,362
Other financing sources (uses):			
Transfers from other funds	14,621	(61)	14,560
Transfers to other funds	(6,326)	231	(6,095)
Proceeds from financing arrangements/	0		0
advance refundings	450	0	450
Net other financing sources (uses)	8,745	170	8,915
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(1,523)	(509)	(2,032)
Operating Surplus/(Deficit)	(1,523)	(509)	(2,032)

Source: NYS DOB

Annual Information Statement

State of New York

May 15, 2009

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Annual Information Statement
State of New York

Dated: May 15, 2009

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Annual Information Statement of the State of New York

Introduction

This Annual Information Statement ("AIS") is dated May 15, 2009 and contains information only through that date. This AIS constitutes the official disclosure information regarding the financial condition of the State of New York (the "State") and replaces the Annual Information Statement dated May 12, 2008 and all updates and supplements thereto. This AIS is scheduled to be updated on a quarterly basis (in August 2009, November 2009, and February 2010) and may be supplemented from time to time as developments may warrant. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any 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 2009-10 Enacted Budget Financial Plan, dated April 28, 2009 (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 2009-10 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 2009-10.

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

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

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

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

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

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

The State may issue AIS supplements or other disclosure notices to this AIS as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS in Official Statements or related disclosure documents for State or State-supported debt issuance. The State has filed this AIS with the Nationally Recognized Municipal Securities Information Repositories (NRMSIRs). An official copy of this AIS may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-8282 or from any NRMSIR. OSC expects to issue the Basic Financial Statements for the 2008-09 fiscal year in July 2009. 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 pursuant to its contractual obligations under various continuing disclosure agreements (each, a "CDA") entered into by the State in connection with financings of certain issuers, including public authorities of the State, that may depend in whole or in part on State appropriations as sources of payments of their respective bonds, notes or other obligations.

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

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

Current Fiscal Year

The 2009-10 Enacted Budget Financial Plan, extracts of which are set forth below, was prepared by the DOB and reflects the actions of the Legislature and Governor.

The Financial Plan contains estimates for the 2009-10 fiscal year and projections for the 2010-11 through 2012-13 fiscal years. As such, it contains estimates and projections of future results that should not be construed as statements of fact. These estimates and projections are based upon various assumptions that may be affected by numerous factors, including future economic conditions in the State and nation and potential litigation. There can be no assurance that actual results will not differ materially and adversely from the estimates and projections contained in the Financial Plan set forth below.

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

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

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

2009-10 Enacted Budget Financial Plan Overview[1]

The Enacted Budget for 2009-10 closes the largest budget gap ever faced by the State. The combined current services budget gap[2] for 2008-09 and 2009-10 totaled $20.1 billion (2008-09: $2.2 billion; 2009-10: $17.9 billion), before the gap-closing actions approved by the Governor and Legislature and the receipt of extraordinary Federal aid. For perspective, the two-year budget gap that needed to be closed was equal to approximately 37 percent of total General Fund receipts in 2008-09. The cumulative gap for the five-year planning period from 2008-09 through 2012-13, before approved gap-closing actions, totaled $85.2 billion.

[1] Please see Exhibit C Glossary of Acronyms for the definitions of commonly used acronyms and abbreviations that appear in the text.

[2] The current-services gap represented (a) the difference between the General Fund disbursements expected to be needed to maintain current service levels and specific commitments, and the expected level of resources to pay for them, plus (b) the operating deficit projected in HCRA, which helps finance a number of State health care programs including a share of the Medicaid program.

Financial Plan Indicators

FINANCIAL PLAN AT-A-GLANCE: IMPACT ON KEY MEASURES (millions of dollars)	2007-08 Actuals	2008-09 Results*	2009-10 Enacted Budget
State Operating Funds Budget			
Size of Budget	$77,003	$78,168	$78,742
Annual Growth	4.8%	1.5%	0.7%
Other Budget Measures (Annual Growth)			
General Fund (with transfers)	$53,387	$54,607	$54,908
	3.5%	2.3%	0.6%
State Funds (Including Capital)	$81,379	$83,146	$84,657
	5.3%	2.2%	1.8%
Capital Budget (Federal and State)	$6,131	$6,830	$8,832
	10.3%	11.4%	29.3%
Federal Operating	$32,924	$36,573	$44,361
	-2.3%	11.1%	21.3%
All Funds	$116,058	$121,571	$131,935
	2.9%	4.8%	8.5%
All Funds (Including "Off-Budget" Capital)	$117,692	$123,833	$133,737
	3.2%	5.2%	8.0%
Inflation (CPI) Growth	3.3%	2.7%	-0.2%
All Funds Receipts (Annual Growth)			
Taxes	$60,871	$60,337	$60,647
	6.7%	-0.9%	0.5%
Miscellaneous Receipts	$19,643	$20,064	$22,185
	7.4%	2.1%	10.6%
Federal Grants	$34,909	$38,834	$47,718
	-2.6%	11.2%	22.9%
Total Receipts	$115,423	$119,235	$130,550
	3.8%	3.3%	9.5%
**Base Tax Growth/(Decline) ** **	6.0%	-3.0%	-6.5%
Combined General Fund/HCRA Outyear Gap Forecast			
2008-09	N/AP	N/AP	$0
2009-10	N/AP	N/AP	$0
2010-11	N/AP	N/AP	($2,166)
2011-12	N/AP	N/AP	($8,757)
2012-13	N/AP	N/AP	($13,706)
Cumulative Gaps	N/AP	N/AP	($24,629)
Total General Fund Reserves	$2,754	$1,948	$1,378
State Workforce (Subject to Executive Control)	137,635	136,490	128,803
Debt			
Debt Service as % All Funds	4.0%	4.3%	4.5%
State-Related Debt Outstanding	$49,884	$51,730	$54,532

** Unaudited Year-End Results.*

*** Reflects estimated growth/(decline) in tax receipts excluding the impact of Tax Law changes since SFY 1986-87.*

The combined current-services gap for 2008-09 and 2009-10 grew steadily over the past year, increasing four-fold since May 2008. The $15 billion increase in the combined gap, to $20.1 billion, was due almost exclusively to the precipitous decline in projected receipts, reflecting the severity of the current economic downturn and dislocation in the financial markets. The current recession has been characterized by a loss of vast sums of wealth from depressed equity and real estate markets. As of the fourth quarter of 2008, an unprecedented $12.8 trillion in net wealth had been destroyed nationwide since the third quarter of calendar year 2007. This is expected to have a substantial impact on taxable income and, by extension, State tax receipts. To understand the impact of the downturn on income, a comparison to the last recession is instructive: New York State adjusted gross income fell by $28 billion in 2001 and another $21 billion in 2002, following the collapse of the high-tech/Internet bubble and the attacks of September 11. In contrast, gross income losses of $52 billion in 2008-09 and $53 billion in 2009-10 – or more than twice the last recession – are projected.

Addressing the Budget Gaps

The gap-closing plan for 2008-09 and 2009-10 was enacted in two parts. First, in early February 2009, the Governor and Legislature approved a deficit reduction plan (DRP) for 2008-09. The DRP provided approximately $2.4 billion in savings over the two-year period, reducing the combined gap from $20.1 to $17.7 billion. Second, in March 2009, the Governor and Legislature reached final agreement on a budget for 2009-10, with the Legislature completing action on all appropriations and enabling legislation to implement the budget on April 3, 2009 (all debt service appropriations for 2009-10 were enacted on March 5, 2009). The Enacted Budget Financial Plan includes $11.5 billion in gap-closing actions, beyond the $2.4 billion approved in the DRP, for a total of $13.9 billion in gap-closing actions.[3]

To close the two-year budget gap in 2008-09 and 2009-10, the Governor and Legislature approved a total of $13.9 billion in gap-closing actions, including $6.5 billion in actions to restrain spending, $5.4 billion in actions to increase receipts, and $2 billion in non-recurring actions (more than half of which were used in 2008-09 to close a gap that opened in the last half of the fiscal year). The most significant actions include freezing the foundation aid and Universal Prekindergarten education aid programs at 2008-09 levels; eliminating the Middle-Class STAR rebate program (but maintaining the STAR exemption program that will provide $3.5 billion in property tax relief); instituting Medicaid cost-containment; reducing the size of the State workforce; and increasing personal income tax rates on high-income earners.

In addition, the gap-closing plan includes $6.15 billion in direct fiscal relief that the Federal government is providing to the State under the American Recovery and Reinvestment Act of 2009 (ARRA) to stabilize State finances and help prevent reductions in essential services. This extraordinary aid consists of $5 billion in State savings resulting from a temporary increase in the amount of Medicaid spending that is paid for by the Federal government (known as FMAP) and $1.15 billion in Federal aid provided by the ARRA State Fiscal Stabilization Fund (SFSF) to restore proposed reductions in education, higher education, and other essential government services.

The following table summarizes the gap-closing plan by major function and activity.

[3] The gap-closing plan described herein refers to the combined actions taken in the DRP and the Enacted Budget for 2009-10, unless otherwise noted.

COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2009-10
ENACTED BUDGET INCLUDING DRP
(millions of dollars)

	2008-09	2009-10	Two-Year Total	2010-11	2011-12	2012-13
REVISED CURRENT SERVICES GAP ESTIMATES*	(2,219)	(17,857)	(20,076)	(20,374)	(21,900)	(22,845)
TOTAL ENACTED BUDGET GAP-CLOSING ACTIONS	1,595	12,332	13,927	13,794	13,144	9,214
Spending Restraint	413	6,047	6,460	7,360	8,234	8,138
Health Care	63	1,961	2,024	1,673	1,719	1,735
School Tax Relief Program	93	1,559	1,652	2,051	2,113	2,181
School Aid/Lottery Aid	0	948	948	1,870	2,835	2,695
Mental Hygiene	4	388	392	398	368	352
Higher Education	55	197	252	257	198	171
Public Safety	2	215	217	251	256	297
Human Services/Labor/Housing	4	188	192	189	129	60
Transportation	0	152	152	271	337	390
Repeal Planned Member Item Deposits	30	104	134	(85)	(85)	0
Local Government Aid	3	94	97	171	168	165
Other Education Aid	7	21	28	61	53	53
State Workforce	5	170	175	328	328	328
Convert Capital to PAYGO	0	0	0	(100)	(200)	(300)
All Other	147	50	197	25	15	11
Revenue Actions	118	5,279	5,397	6,443	4,974	1,110
Temporary PIT Increase	0	3,948	3,948	4,778	3,720	0
Increase 18-A Utility Assessment	0	557	557	557	557	557
Bottle Bill Unclaimed Deposits	0	115	115	115	115	115
Limit Itemized Deductions for High Income Taxpayers	0	140	140	200	150	150
Reform Empire Zones Program	0	90	90	101	113	126
Impose Fee on Non-LLC Partnerships	0	50	50	50	50	50
Impose Sales Tax on Certain Transportation-related Activities	0	26	26	34	34	34
Increase Beer/Wine Tax	0	14	14	14	14	14
Film Credit Restructuring	0	0	0	192	(180)	(228)
Reissue License Plates	0	0	0	129	129	20
All Other Revenue Actions	118	339	457	273	272	272
Non-Recurring Resources	1,064	1,006	2,070	(9)	(64)	(34)
Delay extra MA Cycle (two years)	0	400	400	0	(400)	0
Increase Business Tax Prepayment to 40 Percent	0	333	333	0	0	0
NYPA Payments	306	170	476	0	(25)	(25)
Equipment Financing	0	104	104	(4)	(4)	(4)
VLT Franchise Payment	0	0	0	0	370	0
Medicaid DRP Savings/CUNY Payment	300	(300)	0	0	0	0
All Other	458	299	757	(5)	(5)	(5)
FEDERAL ARRA AID	1,299	4,850	6,149	4,414	(1)	(75)
Enhanced FMAP/Medicaid Relief (excludes local share)	1,299	3,702	5,001	3,387	0	0
State Fiscal Stablization Relief	0	1,150	1,150	1,508	359	0
Federal Tax Relief Extended to State Tax Code	0	(2)	(2)	(481)	(360)	(75)
NET AVAILABLE RESOURCES APPLIED IN 2009-10	(675)	675	0	0	0	0
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE	0	0	0	(2,166)	(8,757)	(13,706)

** Before 2008-09 Enacted DRP.*

Budget Outcomes

DOB estimates that, after gap-closing actions and Federal aid, the General Fund and HCRA Financial Plan for 2009-10 is balanced, and leaves budget gaps of $2.2 billion in fiscal year 2010-11, $8.8 billion in fiscal year 2011-12, and $13.7 billion in 2012-13. As required by law, the State ended the 2008-09 fiscal year in balance in the General Fund and HCRA.[4] As shown in the table above, the State received $1.3 billion in Federal aid under ARRA in 2008-09, of which it used $624 million to eliminate the 2008-09 gap, and $675 million that it applied to close a portion of the 2009-10 gap. Based on DOB's current estimates, the cumulative budget gap for the five-year period (2008-09 through 2012-13) has been reduced from $85.2 billion to $24.6 billion, a reduction of approximately $60.6 billion – or over 70 percent – from the current-services forecast.[5]

Annual growth of the State-financed portion of the budget – that is, spending financed directly by State residents through State taxes, fees, and other revenues – is held nearly flat. General Fund disbursements, including transfers to other funds, are expected to total $54.9 billion in 2009-10, an increase of $301 million (0.6 percent) from 2008-09 results. Projected General Fund spending for 2009-10 has been reduced by $8.7 billion compared to the current services forecast. State Operating Funds spending, which excludes Federal operating aid and capital spending, is projected to total $78.7 billion in 2009-10, an increase of $574 million (0.7 percent) over 2008-09 results. State Operating Funds spending in the Enacted Budget Financial Plan has been reduced by $9.4 billion compared to the current services forecast.

Elements of the Gap-Closing Plan

Before the dramatic economic events of 2008, the sustained growth in spending commitments since the last economic recovery was the principal contributor to the State's growing budget gaps. Over the last year, however, the precipitous decline in actual and projected receipts caused by the economic downturn has been the dominant cause of the extraordinary increase in the budget gaps. This is illustrated by looking at the combined budget gap for 2008-09 and 2009-10. In May 2008, the projected gap of $5 billion was driven almost exclusively by expected spending growth. In contrast, the $15 billion incremental increase to the combined gap since that time is almost entirely due to the worsening outlook for receipts.

Accordingly, the gap-closing plan under the State's control (that is, excluding Federal aid) is weighted toward spending restraint, but also relies on substantial tax and fee increases. Actions to restrain spending constitute approximately 46 percent of the State portion of the gap-closing plan. Actions to increase receipts constitute approximately 39 percent of the plan. Non-recurring resources make up the remainder.

The section below provides a summary of the actions under each category that have been approved for 2009-10.

Spending Restraint

Actions to restrain General Fund spending affect most activities funded by the State. General Fund spending in the Enacted Budget Financial Plan is projected to total $54.9 billion in 2009-10, an increase of $301 million over 2008-09 results. General Fund spending was reduced by $8.7 billion from current services levels.

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[4] See "Prior Fiscal Years - Cash Basis Results for Prior Fiscal Years" in this AIS for more information.

[5] The estimates beyond 2009-10 are meant to provide a general perspective on the State's long-term operating forecast, and will be revised and updated quarterly.

COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2009-10 - SPENDING RESTRAINT (millions of dollars)	2008-09	2009-10	Total	2010-11	2011-12	2012-13
Spending Restraint (net of adds)	**413**	**6,047**	**6,460**	**7,360**	**8,234**	**8,138**
Health Care	63	1,961	2,024	1,673	1,719	1,735
School Tax Relief Program	93	1,559	1,652	2,051	2,113	2,181
School Aid/Lottery Aid	0	948	948	1,870	2,835	2,695
Mental Hygiene	4	388	392	398	368	352
Higher Education	55	197	252	257	198	171
Public Safety	2	215	217	251	256	297
Human Services/Labor/Housing	4	188	192	189	129	60
Transportation	0	152	152	271	337	390
Repeal Planned Member Item Deposits	30	104	134	(85)	(85)	0
Local Government Aid	3	94	97	171	168	165
Other Education Aid	7	21	28	61	53	53
State Workforce	5	170	175	328	328	328
Convert Capital to PAYGO	0	0	0	(100)	(200)	(300)
All Other	147	50	197	25	15	11

The most significant actions in the Enacted Budget Financial Plan that restrain General Fund spending include the following:

- **Health Care ($2.0 billion):** Enacts cost-containment measures, including rate reductions; updating the base year on which rates are calculated; re-establishing certain industry assessments; financing a greater share of Medicaid spending through HCRA; eliminating a planned human services COLA in 2009-10; and other targeted public health and aging reductions. In addition, the Enacted Budget authorizes savings actions to fully eliminate the HCRA operating deficit, including an increase in the Covered Lives Assessment, instituting a tax on for-profit HMOs, and increasing certain surcharges;
- **STAR ($1.7 billion):** Eliminates the Middle-class STAR rebate program (but maintains the STAR exemption program that will continue to provide tax relief); reduces the PIT credit for New York City taxpayers; and adjusts the timing of reimbursement to New York City;
- **School Aid ($948 million on a State fiscal year basis):** Maintains selected aids at 2008-09 school year levels; extends the phase-in of foundation aid and the UPK program from four to seven years; and authorizes additional lottery games that would increase projected resources available to education;
- **Mental Hygiene ($392 million):** Eliminates a cost-of-living increase for providers; institutes programmatic reforms to align reimbursement with actual costs (including closing, consolidating, and restructuring facility operations, thereby reducing the planned workforce by 865 positions); maximizes available Federal aid; and other measures;
- **Higher Education ($252 million):** Includes tuition increases at public universities approved by the SUNY and CUNY Boards of Trustees; reductions in support for the four statutory colleges at Cornell University and the College of Ceramics at Alfred University; an assessment on the SUNY and CUNY research foundations; inclusion of public sector pension income in TAP determinations; and other savings;

- **Public Safety ($217 million):** Closes three prison camps and various annexes in correctional facilities; improves parolee release and violation processes; eliminates farm operations at correctional facilities; reduces programs for inmates; and other operational changes;
- **Human Services ($192 million):** Increases the level of Federal funding that local districts are required to spend on child welfare services; eliminates the human services COLA; lowers reimbursement for optional, community-based preventive services; closes or downsizes 11 underutilized facilities (8 residential facilities and 3 non-residential facilities), and other measures;
- **Transportation ($152 million):** Reduces the General Fund subsidy to the DHBTF (which is made possible by an increase in certain fees) and to transit systems; and lowers spending on DOT operations consistent with the overall reduction in planned capital activities;
- **Member item funding ($134 million):** Eliminates deposits into the Community Projects Fund for the Governor and Assembly that had been authorized in prior years. The Enacted Budget includes $170 million in new member item deposits split equally between the Senate and Assembly. The new legislative deposits are scheduled to be made in 2010-11 and 2011-12. The Governor did not accept any new member-item funding;
- **Local Government Aid ($97 million):** Holds aid and incentive payments for cities, towns, and villages outside of New York City at 2008-09 levels; reduces VLT aid; and other measures; and
- **Other Education Aid ($28 million):** Reduces funding for, among other things, attendance-taking requirements at non-public schools, library aid, prior-year claims, and supplemental funding for certain after-school programs.

The gap-closing plan counts on savings from instituting a workforce reduction plan (WRP). The WRP would reduce the State Executive Branch workforce by approximately 8,700 unionized employees through attritions, layoffs, and abolitions of funded vacancies. These reductions are in addition to those that are expected to result from the facility closures and other actions affecting the workforce that were approved in this budget.

The Executive Budget had proposed achieving workforce savings without a substantial reduction in force through, among other things, the elimination of a planned 3 percent general salary increase for State employees in 2009-10 and a one-week wage deferral payable upon separation from State service. The State's public employee unions rejected the proposals. Pursuant to the Governor's directive, most non-unionized "management/confidential" employees in 2009-10 will not receive the planned general salary increase, merit awards, longevity payments, and performance advances and therefore will not be subject to the layoffs required in the WRP. See "State Workforce Reductions" herein for more information.

The Enacted Budget Financial Plan will finance a larger share of economic development projects with ongoing resources rather than with long-term debt, starting in fiscal year 2010-11. This will help relieve pressure on the State's statutory debt cap and realize debt service savings in future years. The determination to allocate the "pay-as-you-go resources" to economic development takes into account that projects in this area typically have above-average financing costs. See "Bond Market Issues" herein for more information.

The Enacted Budget Financial Plan includes a modest level of new initiatives in 2009-10, the costs of which are counted against the savings actions presented in this Financial Plan. The most significant initiatives include a new low-cost student loan program to which the State will make an initial contribution of $50 million in 2009-10; extension of a program to assist homeowners facing foreclosure; an increase in the basic public assistance grant of 10 percent annually over the next three years; and additional funding for HEAL-NY, quality incentive pools for nursing homes and home care agencies, and other health initiatives.

Revenue Actions

Balancing the budget exclusively through spending reductions in 2009-10 would have required an extraordinary retrenchment in State services. Absent any actions to raise receipts, DOB estimates that General Fund spending would have had to be reduced by nearly $18 billion from the level required to meet existing commitments – and by almost $9 billion from 2008-09 results – to achieve a balanced budget in 2009-10. Spending reductions of this magnitude would be in direct conflict with Federal efforts to stimulate the economy during a severe recession, raise grave health and public safety concerns, and place additional pressure on local property taxes. Therefore, to maintain essential services and assist residents affected by the economic downturn, the Enacted Budget includes a package of tax increases and other revenue enhancements to help close the budget gap and address the further deterioration in the revenue base.

COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2009-10 - REVENUE ACTIONS
(millions of dollars)

	2008-09	2009-10	Two-Year Total	2010-11	2011-12	2012-13
Revenue Actions	**118**	**5,279**	**5,397**	**6,443**	**4,974**	**1,110**
Temporary PIT Increase	0	3,948	3,948	4,778	3,720	0
Increase 18-A Utility Assessment	0	557	557	557	557	557
Bottle Bill Unclaimed Deposits	0	115	115	115	115	115
Limit Itemized Deductions for High Income Taxpayers	0	140	140	200	150	150
Reform Empire Zones Program	0	90	90	101	113	126
Impose Fee on Non-LLC Partnerships	0	50	50	50	50	50
Impose Sales Tax on Certain Transportation-related Activities	0	26	26	34	34	34
Increase Beer/Wine Tax	0	14	14	14	14	14
Film Credit Restructuring	0	0	0	192	(180)	(228)
Reissue License Plates	0	0	0	129	129	20
All Other Revenue Actions	118	339	457	273	272	272

The most significant actions include:

- **Temporary PIT Increase ($3.9 billion):** The State PIT rate will temporarily increase for higher-income filers for a three-year period from tax year 2009 through tax year 2011. The rate for married couples filing jointly will increase from 6.85 percent to 7.85 percent with incomes above $300,000 and to 8.97 percent for filers with incomes above $500,000;
- **Increase Utility Assessment ($557 million):** Increases the current regulatory fee on public utilities, including electric, gas, and water. The action will pay for State regulatory and management oversight by raising the fee from 1/3 of 1 percent to 1 percent of intrastate revenues, expanding the fee to include energy service companies, and establishing an additional 1 percent State energy and utility service conservation assessment, which will expire on March 31, 2014. In recognition of the competitive nature of the telecommunications industry, telecommunications utilities regulated under Public Service Law Section 18-A are exempted from this temporary assessment;

- **Bottle Bill ($115 million):** Expands the 5-cent deposit on carbonated beverages to include bottled water, and mandates that the State retain 80 percent of all unclaimed bottle deposits;
- **High-Income Itemized Deductions ($140 million):** Limits the ability of taxpayers with incomes over $1 million to reduce their tax liability by claiming itemized deductions ($140 million). Currently, taxpayers with incomes over $525,000 are allowed to claim 50 percent of the value of itemized deductions. To sustain philanthropic giving, charitable deductions are excluded from this provision and may still be claimed as itemized deductions for the purposes of State income taxes;
- **Empire Zones ($90 million):** Decertifies "shirt-changers" (that is, firms that change their names to maximize Zone benefits without providing any economic benefit) and firms producing less than $1 in actual investment and wages for every $1 in State tax incentives. The Empire Zone program will sunset on June 30, 2010 – one year earlier than in current law;
- **Non-LLC Partnerships ($50 million):** Imposes a new fee on non-LLC partnerships equal to fee amounts that currently apply to LLCs. Fee amounts will range from $1,900 to $4,500. Unlike the current LLC fee, partnerships with New York-source gross income under $1 million are exempt;
- **Transportation Services ($26 million):** Broadens the sales tax base to cover certain transportation-related services, such as limousine and black car services, but excludes taxis;
- **Beer/Wine Tax ($14 million):** Increases the excise tax on wine and beer. The tax on wine would increase from 18.9 cents per gallon to 30 cents per gallon, and the beer tax would increase from 11 cents per gallon to 14 cents per gallon. This translates into approximately 2 cents per bottle of wine and one and one-half cents per six pack of beer. These taxes were last increased in 1991, and are still among the lowest in the nation; and
- **License Plates ($129 million starting in 2010-11):** Effective April 1, 2010, the license plate reissuance fee is increased from $15 to $25, with revenues directed to the General Fund. License plates were last reissued in 2001.

Other revenue actions include increases in the bond issuance charge for public authorities and industrial development agencies; fines related to certain motor vehicle violations; real property transfer fees paid whenever a deed is recorded; and fees for license suspension. The Financial Plan also includes a potential franchise payment in 2011-12 related to the development of a new VLT facility. In addition, the Enacted Budget includes $350 million in new authorization for the State's film tax and television production credit, which is intended to help keep entertainment industry jobs in New York State.

The Enacted Budget Financial Plan does not include approximately $1.2 billion in tax and fee proposals that had been proposed in the Executive Budget. Extraordinary Federal aid was used to eliminate these tax proposals. See "2009-10 All Funds Financial Plan Forecast" herein for more information on tax receipt projections included in the Enacted Budget.

Non-Recurring Resources

The two-year gap-closing plan included approximately $1 billion in non-recurring resources in 2008-09 and a comparable amount in 2009-10. The 2008-09 gap had to be closed within a three-month period, which severely limited the types of savings measures that were possible.

COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2009-10 - NON-RECURRING RESOURCES
(millions of dollars)

	2008-09	2009-10	Two-Year Total	2010-11	2011-12	2012-13
Non-Recurring Resources	**1,064**	**1,006**	**2,070**	**(9)**	**(64)**	**(34)**
Delay extra MA Cycle (two years)	0	400	400	0	(400)	0
Increase Business Tax Prepayment to 40 Percent	0	333	333	0	0	0
NYPA Transfers	306	170	476	0	(25)	(25)
Equipment Financing	0	104	104	(4)	(4)	(4)
Finance CUNY Payments with Jan-Mar '09 MA Savings	300	(300)	0	0	0	0
EPF Sweep/Capital Bonding	75	50	125	0	0	0
School Aid Overpayment Recoveries	0	80	80	0	0	0
Medicaid Reimbursement of Education Costs	0	20	20	0	0	0
Recoup Overpayments to NYC (General Public Health Works)	11	15	26	0	0	0
Increase Pre-Paid Sales Tax on Cigarettes	0	14	14	0	0	0
Recoup Overpayments to NYC (Early Intervention)	0	9	9	0	0	0
Continue TADA software bonding	0	3	3	0	0	0
VLT Franchise Payment	0	0	0	0	370	0
Fund Sweeps/Other	372	108	480	(5)	(5)	(5)

The largest non-recurring actions over the two year period include:

- **Delay of the 53rd Medicaid Cycle Payment ($400 million):** The 2009-10 fiscal year included 53 weekly cycle payments, compared to the typical 52 payments. This action delays the payment of a 53rd cycle until fiscal year 2011-12;
- **Increase Business Tax Prepayment ($333 million):** Increases the mandatory first installment of tax due from certain business taxpayers from 30 percent to 40 percent of the previous year's tax liability. For most taxpayers, this installment is due in March with the filing of the previous year's tax return. This will not change the amount of tax liability, but simply the timing of payments;
- **New York Power Authority Excess Resources ($476 million):** Authorizes the transfer of $476 million to the General Fund (of which $306 million was received in 2008-09 and $170 million is planned in 2009-10). Of this amount, $215 million represents funds that were reserved by NYPA to pay for the disposal of waste at a Federal repository. It is anticipated that NYPA will not need these funds for several years. The remaining transfer represents assets not necessary to meet NYPA's short term operating, capital or debt service costs;
- **Equipment Financing ($104 million):** Authorizes the use of bond financing for eligible capital projects that were originally planned to be paid for with cash resources. DOB will make an annual determination on the financing for equipment, depending on Financial Plan needs, market conditions and debt management considerations; and
- **City University (no net impact):** To realize the benefit of health care savings in the DRP that were applicable to the final quarter of the 2008-09 fiscal year, but where the cash savings would occur in 2009-10, the State adjusted its reimbursement schedule to New York City related to the City University. Certain payments that were due in the first quarter of 2009-10, but that had been budgeted in 2008-09, will be made on their statutory due dates, not ahead of schedule. There is no net impact over the two fiscal years.

Other non-recurring resources consist of transfers of existing fund balances, cost-recoveries for overpayments in prior years, and other routine transactions.

Extraordinary Federal Aid

The gap-closing plan included $6.15 billion in fiscal relief that the Federal government is providing to the State under ARRA to stabilize State finances and help prevent reductions in essential services. Direct Federal aid for fiscal relief consists of the increase in the Federal matching rate for eligible State Medicaid expenditures and funds provided through the SFSF to restore proposed reductions in education and higher education and to maintain other essential government services. By law, the direct Federal fiscal relief must be used effectively and expeditiously to promote economic recovery, and may not be allocated for other purposes, such as funding reserves or paying down debt.

The ARRA increased the Federal government contribution, or matching rate, on eligible State Medicaid expenditures for the period from October 1, 2008 through December 31, 2010. The FMAP benefit to the State in 2008-09 totaled $1.3 billion, and is projected at $3.7 billion in 2009-10. In the Financial Plan, every $1 increase in the Federal matching rate corresponds to a $1 decrease in required State support for Medicaid, thus creating General Fund fiscal relief. In addition, since all Federal Medicaid payments must flow through the State's Financial Plan, the increase in FMAP results in an increase in the "pass-through" of more Federal aid to counties and New York City, which contribute to the financing of the State's Medicaid program. This pass-through amount totaled $440 million in 2008-09 and is projected at $1.4 billion in 2009-10. See "Spending Levels" herein for a discussion of the impact of Federal aid on State All Funds spending in 2009-10.

The SFSF is expected to provide $1.15 billion in fiscal relief in 2009-10. The SFSF consists of two parts: an Education Fund, which must be used to restore proposed reductions in education and higher education, and an Other Governmental Services Fund, which must be used to maintain essential government services. Direct Federal fiscal relief from the Education Fund is projected to total $876 million in 2009-10. Fiscal relief from the other Governmental Services Fund is expected to total $274 million in 2009-10. This aid adds $1.15 billion in spending to the All Funds budget.

Lastly, a substantial amount of Federal aid will flow to the State – and through the State Financial Plan to end recipients – that has no direct impact on the State's budget gaps. In addition, Federal spending is affected by the timing of certain transactions, including the approval of State health care initiatives, and the Federal match on spending restorations authorized in the Enacted Budget. In 2009-10, the State expects to receive extraordinary Federal aid of approximately $4.6 billion. Extraordinary Federal aid increases the State's All Funds budget, but has no relationship to the gap-closing plan. In addition, a substantial amount of other Federal aid that affects spending from Federal funds, but which has no impact on the budget gaps, will pass through the State's All Funds Financial Plan in 2009-10 and 2010-11. Most of this is related to the ARRA, but also reflects the timing of Federal aid payments, changes in distribution patterns, and other factors.

Spending Levels

General Fund disbursements, including transfers to other funds, are expected to total $54.9 billion, an increase of $301 million (0.6 percent) from 2008-09 results. Projected General Fund spending has been reduced by $8.7 billion compared to the current services forecast. State Operating Funds spending, which excludes Federal operating aid and capital spending, is projected to total $78.7 billion in 2009-10, an increase of $574 million (0.7 percent) over 2008-09 results. State Operating Funds spending in the Enacted Budget Financial Plan has been reduced by $9.4 billion compared to the current services forecast.

TOTAL DISBURSEMENTS (millions of dollars)							
			Before Actions **			After Actions	
	2008-09 Results **	2009-10 Base	Annual $ Change	Annual % Change	2009-10 Enacted	Annual $ Change	Annual % Change
State Operating Funds	**78,168**	**88,154**	**9,986**	**12.8%**	**78,742**	**574**	**0.7%**
General Fund *	48,436	57,136	8,700	18.0%	49,449	1,013	2.1%
Other State Funds	25,146	25,804	658	2.6%	24,075	(1,071)	-4.3%
Debt Service Funds	4,586	5,214	628	13.7%	5,218	632	13.8%
All Governmental Funds	**121,572**	**132,753**	**11,181**	**9.2%**	**131,935**	**10,363**	**8.5%**
State Operating Funds	78,168	88,154	9,986	12.8%	78,742	574	0.7%
Capital Projects Funds	6,830	7,983	1,153	16.9%	8,832	2,002	29.3%
Federal Operating Funds	36,574	36,616	42	0.1%	44,361	7,787	21.3%
General Fund, including Transfers	**54,607**	**63,565**	**8,958**	**16.4%**	**54,908**	**301**	**0.6%**

** Excludes transfers.*
*** Unaudited Results.*

The Federal ARRA and other Federal aid substantially increase All Funds spending in 2009-10. In total, Federal aid is responsible for $7.2 billion of the projected All Funds increase above the Executive Budget proposal. In addition, growing costs in Medicaid caseload and utilization trends, which are directly related to the economic downturn, add an additional $1.4 billion in projected costs on an All Funds basis. Therefore, extraordinary Federal aid and accelerating Medicaid entitlement costs together comprise $8.6 billion of the total increase in All Funds spending.

General Fund Balances

The State ended 2008-09 with a General Fund balance of $1.9 billion. The State expects to use approximately $570 million in available balances to finance operations in 2009-10, resulting in a projected year-end balance of $1.4 billion on March 31, 2010. Funds reserved by DOB for debt management purposes may also be spent during the 2009-10 fiscal year, depending on market conditions.

GENERAL FUND ESTIMATED CLOSING BALANCE (millions of dollars)			
	2008-09 Results*	2009-10 Enacted	Change
Projected Year-End Fund Balance	**1,948**	**1,378**	**(570)**
Tax Stabilization Reserve Fund	1,031	1,031	0
Rainy Day Reserve Fund	175	175	0
Contingency Reserve Fund	21	21	0
Reserved for Debt Reduction	73	73	0
Community Projects Fund	145	78	(67)
Remaining Reserve for 2009-10 Use	340	0	(340)
2008-09 Timing Related Changes	163	0	(163)

The timing of payments reflects differences between planned and actual disbursements that occur in any fiscal year. Approximately $163 million in payments that were planned to occur in 2008-09 are now budgeted in 2009-10. The State manages its cash balances to meet these payments. The table below summarizes the General Fund payments budgeted in 2008-09 but now expected to be made in the 2009-10 fiscal year.

2008-09 YEAR-END RESULTS GENERAL FUND TIMING RELATED CHANGES DECREASE/(INCREASE) (millions of dollars)	
Timing Related Changes	**163**
Non-public School Aid	51
Other Education programs, including school aid	45
PBA labor settlement	44
Lower Medicaid spending	23
Taxes on State Owned Lands	27
Higher capital spending	(44)
All Other	17

HCRA ended the 2008-09 fiscal year with a balance of $240 million. It is expected that HCRA will use this balance to finance spending in 2009-10, including $205 million in payments that were originally planned to occur in 2008-09. See the "HCRA Financial Plan" herein for more information.

2009-10 General Fund Financial Plan and OutYear Projections

DOB projects that the Enacted Budget Financial Plan is balanced in the General Fund in 2009-10 and projects outyear budget gaps of $2.2 billion in 2010-11, $8.8 billion in 2011-12, and $13.7 billion in 2012-13.

After actions, General Fund spending is projected to grow at an average annual rate of 7.2 percent from 2008-09 through 2012-13. Spending growth in the General Fund is projected to increase sharply in 2011-12, reflecting a return to a lower Federal match rate for Medicaid expenditures on January 1, 2010, which will increase General Fund costs. The spending is driven by Medicaid growth, rising costs for education, the State-financed cap on local Medicaid spending, employee and retiree health benefits, and child welfare programs. The receipts growth is consistent with DOB's economic forecast for the recession and recovery. The temporary PIT increase, which covers calendar years 2009 through 2011, is expected to provide substantial additional receipts through fiscal year 2011-12. The following table summarizes the General Fund projections by major tax and Financial Plan category.

OUTYEAR GENERAL FUND PROJECTIONS
(millions of dollars)

	2009-10	2010-11	Annual $ Change	Annual % Change	2011-12	Annual % Change	2012-13	Annual % Change
Receipts								
Taxes	49,788	53,151	3,363	6.8%	54,747	3.0%	54,471	-0.5%
Personal Income Tax*	32,533	35,144	2,611	8.0%	36,026	2.5%	34,735	-3.6%
User Taxes and Fees*	10,721	11,073	352	3.3%	11,537	4.2%	11,932	3.4%
Business Taxes	5,495	5,828	333	6.1%	5,925	1.7%	6,398	8.0%
Other Taxes*	1,039	1,106	67	6.4%	1,259	13.8%	1,406	11.7%
Miscellaneous Receipts	3,381	3,022	(359)	-10.6%	3,017	-0.2%	3,043	0.9%
Other Transfers	1,169	723	(446)	-38.2%	684	-5.4%	695	1.6%
Total Receipts	**54,338**	**56,896**	**2,558**	**4.7%**	**58,448**	**2.7%**	**58,209**	**-0.4%**
Disbursements								
Grants to Local Governments:	37,086	39,664	2,578	7.0%	46,467	17.2%	50,283	8.2%
School Aid	18,019	18,787	768	4.3%	19,738	5.1%	21,953	11.2%
Total Medicaid (incl. administration)	6,401	8,640	2,239	35.0%	13,536	56.7%	14,644	8.2%
Medicaid (before local relief)	5,440	7,327	1,887	34.7%	11,827	61.4%	12,479	5.5%
Medicaid Cap/FHP Takeover	961	1,313	352	36.6%	1,709	30.2%	2,165	26.7%
Higher Education	2,837	2,578	(259)	-9.1%	2,718	5.4%	2,763	1.7%
Mental Hygiene	2,148	2,266	118	5.5%	2,407	6.2%	2,534	5.3%
Children and Family Services	1,823	1,968	145	8.0%	2,170	10.3%	2,313	6.6%
Other Education Aid	1,640	1,617	(23)	-1.4%	1,841	13.9%	1,925	4.6%
Temporary and Disability Assistance	1,275	1,301	26	2.0%	1,341	3.1%	1,428	6.5%
Local Government Assistance	1,135	1,130	(5)	-0.4%	1,134	0.4%	1,137	0.3%
Public Health	653	578	(75)	-11.5%	598	3.5%	635	6.2%
All Other	1,155	799	(356)	-30.8%	984	23.2%	951	-3.4%
State Operations:	8,659	8,925	266	3.1%	9,175	2.8%	9,312	1.5%
Personal Service	6,465	6,621	156	2.4%	6,801	2.7%	6,870	1.0%
Non-Personal Service	2,194	2,304	110	5.0%	2,374	3.0%	2,442	2.9%
General State Charges	3,704	4,042	338	9.1%	4,344	7.5%	4,760	9.6%
Pensions	1,148	1,412	264	23.0%	1,525	8.0%	1,654	8.5%
Health Insurance:								
Active Employees	1,712	1,906	194	11.3%	2,056	7.9%	2,217	7.8%
Retired Employees	1,123	1,247	124	11.0%	1,348	8.1%	1,456	8.0%
Fringe Benefit Escrow	(2,247)	(2,435)	(188)	8.4%	(2,534)	4.1%	(2,541)	0.3%
All Other	1,968	1,912	(56)	-2.8%	1,949	1.9%	1,974	1.3%
Transfers to Other Funds:	5,459	6,391	932	17.1%	7,265	13.7%	7,690	5.8%
State Share Medicaid	2,362	2,388	26	1.1%	2,887	20.9%	2,888	0.0%
Debt Service	1,783	1,762	(21)	-1.2%	1,739	-1.3%	1,725	-0.8%
Capital Projects	551	1,162	611	110.9%	1,319	13.5%	1,491	13.0%
All Other	763	1,079	316	41.4%	1,320	22.3%	1,586	20.2%
Total Disbursements	**54,908**	**59,022**	**4,114**	**7.5%**	**67,251**	**13.9%**	**72,045**	**7.1%**
Change in Reserves								
Timing Related Reserve	(163)	0			0		0	
Prior Year Reserves	(340)	0			0		0	
Community Projects Fund	(67)	55			(41)		(92)	
Deposit to/(Use of) Reserves	**(570)**	**55**			**(41)**		**(92)**	
General Fund Budget Surplus/(Gap) Estimate	**0**	**(2,181)**			**(8,762)**		**(13,744)**	
Add: HCRA Operating Surplus	**0**	**15**			**5**		**38**	
Combined Budget Surplus/(Gap) Estimate	**0**	**(2,166)**			**(8,757)**		**(13,706)**	

** Includes transfers after debt service.*

In evaluating the State's outyear operating forecast, it should be noted that the reliability of the estimates as a predictor of the State's future fiscal condition is likely to diminish as one moves further from the current year and budget year estimates. Accordingly, in terms of the outyear projections, 2010-11 is perhaps the most relevant from a planning perspective, since any gap in that year must be closed with the next budget and the variability of the estimates is likely to be less than in later years. The State will provide quarterly revisions to its multi-year estimates.

The following table provides a "zero-based" look at the causes of the 2010-11 General Fund budget gap. Detailed explanations of the assumptions underlying the outyear revenue and spending projections appear below.

2010-11 GENERAL FUND ANNUAL CHANGE
SAVINGS/(COSTS)
(millions of dollars)

	2009-10	2010-11	Annual $ Change	Annual % Change
RECEIPTS GROWTH	**54,338**	**56,896**	**2,558**	**4.7%**
Personal Income Tax*	32,533	35,144	2,611	8.0%
User Taxes and Fees*	10,721	11,073	352	3.3%
Business Taxes	5,495	5,828	333	6.1%
Other Taxes*	1,039	1,106	67	6.4%
Miscellaneous Receipts/Federal Grants	3,381	3,022	(359)	-10.6%
All Other Transfers	1,169	723	(446)	-38.2%
** Includes transfers after debt service*				
DISBURSEMENTS GROWTH	**54,908**	**59,022**	**4,114**	**7.5%**
Local Assistance	**37,086**	**39,664**	**2,578**	**7.0%**
Medicaid (incl. admin)	6,401	8,640	2,239	35.0%
Program Growth/Other	*2,026*	*4,223*	2,197	108.4%
Medicaid Cap/Family Health Plus Takeover	*961*	*1,313*	352	36.6%
Change in HCRA/Provider Assessment Financing	*3,414*	*3,104*	(310)	-9.1%
School Aid	18,019	18,787	768	4.3%
Other Education Aid	1,640	1,617	(23)	-1.4%
Higher Education	2,837	2,578	(259)	-9.1%
Children and Family Services	1,823	1,968	145	8.0%
Mental Hygiene	2,148	2,266	118	5.5%
All Other Local Assistance	4,218	3,808	(410)	-9.7%
State Operations	**8,659**	**8,925**	**266**	**3.1%**
Personal Service	6,465	6,621	156	2.4%
Non-personal Service	2,194	2,304	110	5.0%
General State Charges	**3,704**	**4,042**	**338**	**9.1%**
Health Insurance	2,835	3,153	318	11.2%
Pensions	1,148	1,412	264	23.0%
Fringe Benefit Escrow Offset	(2,247)	(2,435)	(188)	8.4%
All Other	1,968	1,912	(56)	-2.8%
Transfers to Other Funds	**5,459**	**6,391**	**932**	
Change in Reserves	**570**	**(55)**	**(625)**	
Timing Related Reserve	163	-	(163)	
Prior Year Reserves	340	-	(340)	
Community Projects Fund	67	(55)	(122)	
"CURRENT SERVICES" BUDGET GAP FOR 2010-11 *			**(2,181)**	

** Excludes HCRA balance, which is projected to remain positive over the multi-year Financial Plan.*

The outyear forecast for 2010-11 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 receipts and disbursements that constitute the current services gap forecast are based on reasonable assumptions and methodologies.

General Fund Outyear Receipts/Projections

Overall, tax receipts growth in the two fiscal years following 2009-10 is expected to grow within a range of 2 to 8 percent. This reflects an economic forecast of a national recovery beginning in the third quarter of 2009 with many aspects of New York State's recovery lagging into 2010. The receipts growth is supported significantly by revenue actions in the Budget, including the three-year temporary increase in PIT rates. Tax receipts in 2012-13 are expected to decline slightly, primarily due to the expiration of the temporary rate increase.

- Total General Fund receipts are projected to reach $56.9 billion in 2010-11, $58.4 billion in 2011-12 and $58.2 billion in 2012-13.
- Total State Funds receipts are projected to be approximately $85.9 billion in 2010-11, $89.0 billion in 2011-12 and $88.6 billion in 2012-13.
- Total All Funds receipts in 2010-11 are projected to reach $134.6 billion, an increase of $4.0 billion, or 3 percent over 2009-10 estimates. All Funds receipts in 2011-12 are expected to decrease by $2.4 billion (1.7 percent) over the prior year. In 2012-13, receipts are expected to decrease by $1.1 billion (0.8 percent) from 2011-12 projections.
- All Funds tax receipts are expected to increase by 6.2 percent in 2010-11, 3.3 percent in 2011-12, and 0.3 percent in 2012-13.

General Fund Outyear Disbursement Projections

DOB forecasts General Fund spending of $59 billion in 2010-11, an increase of $4.1 billion (7.5 percent) over estimated 2009-10 levels. Growth in 2011-12 is projected at $8.2 billion (13.9 percent) and in 2012-13 at $4.8 billion (7.1 percent). The growth levels are based on current services projections, as modified by the actions contained in the 2009-10 Enacted Budget. They do not incorporate any estimate of potential new actions to control spending in future years.

General Fund Grants to Local Governments

Annual growth in local assistance over the plan period is driven primarily by Medicaid (including administrative costs and local cost sharing), school aid and aid for children and family services. The following table summarizes some of the factors that affect the local assistance projections over the Financial Plan period.

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING LOCAL ASSISTANCE
(millions of dollars, where applicable)

	Results	Forecast				
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Medicaid						
Medicaid Coverage	3,559,381	3,691,391	3,983,166	4,271,459	4,564,665	4,861,432
Family Health Plus Coverage	518,189	424,949	424,788	460,584	552,384	552,384
Child Health Plus Coverage	360,436	381,303	428,220	437,220	446,220	455,220
Medicaid Inflation	2.0%	2.9%	3.0%	3.0%	3.0%	3.0%
Medicaid Utilization	-3.0%	-2.4%	1.8%	5.8%	5.0%	4.0%
State Takeover of County/NYC Costs (Total)	$564	$724	$961	$1,313	$1,709	$2,165
- Family Health Plus	$396	$424	$445	$477	$507	$518
- Medicaid	$168	$300	$516	$836	$1,202	$1,647
Education						
School Aid (School Year)	$19,747	$21,452	$21,857	$22,420	$23,990	$26,170
Public Higher Education Enrollment	512,362	537,190	542,509	546,547	550,616	554,558
Tuition Assistance Program Recipients	309,320	312,362	312,655	313,155	313,655	314,000
Welfare						
Family Assistance Caseload	372,964	350,370	351,718	354,609	357,608	359,485
Single Adult/No Children Caseload	150,447	144,591	152,033	160,380	165,546	170,609
Mental Hygiene						
Office of Mental Health	30,088	31,570	33,170	34,766	35,898	37,429
OMRDD	34,571	35,248	36,162	37,220	38,101	38,756
OASAS	15,553	15,561	16,047	16,457	16,517	16,577
Total - Mental Hygiene Community Beds	80,212	82,379	85,379	88,443	90,516	92,762

Medicaid

General Fund spending for Medicaid is expected to grow by $2.2 billion in 2010-11, $4.9 billion in 2011-12, and another $1.1 billion in 2012-13, which includes a reduction in the State share resulting from the enhanced FMAP provided through the Federal ARRA.

MAJOR SOURCES OF ANNUAL CHANGE IN MEDICAID
(millions of dollars)

	2009-10	2010-11	Annual $ Change	Annual % Change	2011-12	Annual % Change	2012-13	Annual % Change
Base Growth Before Enhanced FMAP	**14,057**	**15,608**	***1,551***	***11.0%***	**17,601**	***12.8%***	**18,834**	***7.0%***
Enhanced FMAP -- State Share *	(3,155)	(2,883)	*272*	*-8.6%*	0	*-100.0%*	0	-
State Funds Base Growth (After FMAP)	**10,902**	**12,725**	***1,823***	***16.7%***	**17,601**	***38.3%***	**18,834**	***7.0%***
Less: Other State Funds Support	**4,501**	**4,085**	***(416)***	***-9.2%***	**4,065**	***-0.5%***	**4,190**	***3.1%***
HCRA Financing	2,668	2,238	*(430)*	*-16.1%*	2,218	*-0.9%*	2,343	*5.6%*
Provider Assessment Revenue	686	700	*14*	*2.0%*	700	*0.0%*	700	*0.0%*
Indigent Care Revenue	1,147	1,147	*0*	*0.0%*	1,147	*0.0%*	1,147	*0.0%*
Total General Fund	**6,401**	**8,640**	***2,239***	***35.0%***	**13,536**	***56.7%***	**14,644**	***8.2%***
Local Government Relief (incl. above)	961	1,313	*352*	*36.6%*	1,709	*103.4%*	2,165	*106.1%*

** Excludes enhanced FMAP for other state agencies.*

Medicaid growth results, in part, from the combination of projected increases in recipients, service utilization, and medical care cost inflation that affect nearly all categories of service (i.e., hospitals, nursing homes, etc.). The State cap on local Medicaid costs and takeover of local FHP costs, which are included in base categories of service, are projected to increase spending by $352 million in 2010-11, and $396 million in 2011-12. In 2011-12, $2.9 billion of the State Funds spending increase is due to the scheduled cessation of Federal assistance that had been granted to the State in 2009-10 and 2010-11 in accordance with ARRA. In addition, an extra weekly payment to providers deferred from 2009-10 adds $400 million in base spending across all categories of service in 2011-12.

The average number of Medicaid recipients is expected to grow to 4.27 million in 2010-11, an increase of 7.2 percent from the estimated 2009-10 caseload of 3.98 million. FHP enrollment is estimated to grow to approximately 460,600 individuals in 2010-11, an increase of 8.4 percent over projected 2008-09 enrollment of almost 424,800 individuals.

School Aid

MULTI-YEAR SCHOOL AID PROJECTIONS - SCHOOL-YEAR BASIS
(millions of dollars)

	2009-10	2010-11	Annual $ Change	Annual % Change	2011-12	Annual % Change	2012-13	Annual % Change
Foundation Aid	14,876	14,876	0	0.0%	15,890	6.8%	17,390	9.4%
Universal Pre-kindergarten	376	376	0	0.0%	460	22.3%	520	13.0%
High Tax Aid	205	205	0	0.0%	100	-51.2%	100	0.0%
EXCEL Building Aid*	165	185	20	12.1%	192	3.8%	192	0.0%
Expense-Based Aids	5,595	6,080	485	8.7%	6,600	8.6%	7,170	8.6%
Other Aid Categories/Initiatives	640	698	58	9.1%	748	7.2%	798	6.7%
Total School Aid	**21,857**	**22,420**	**563**	**2.6%**	**23,990**	**7.0%**	**26,170**	**9.1%**

** Represents State debt service costs.*

School aid is projected to increase in 2009-10 and beyond. In future years, increases in foundation aid and UPK are also projected primarily due to increases in expense-based aids such as building aid and transportation aid. On a school-year basis, school aid is projected at $22.4 billion in 2010-11, $24.0 billion in 2011-12, and $26.2 billion in 2012-13. On a State fiscal-year basis, General Fund school aid spending is projected to grow by $768 million in 2010-11, $951 million in 2011-12, and $2.2 billion in 2012-13.

Outside the General Fund, revenues from core lottery sales are projected to increase by $27 million in 2010-11, $67 million in 2011-12, and $106 million in 2012-13 (totaling $2.5 billion in 2012-13). Revenues from VLTs are projected to increase by $68 million in 2010-11, $657 million in 2011-12 and decrease by $260 million in 2012-13 (totaling $944 million in 2012-13). VLT estimates for 2011-12 assume the one-time receipt of $370 million in additional revenues from the State’s sale of operating rights at a VLT facility, and assume the start of operations at Aqueduct in 2011, and Belmont by 2012.

Mental Hygiene

Mental hygiene spending is projected at $2.3 billion in 2010-11, $2.4 billion in 2011-12, and $2.5 billion in 2012-13. Sources of growth include: increases in the projected State share of Medicaid costs; projected expansion of the various mental hygiene service systems including the OMH's children's services; increases in the NYS-CARES program and in the development of children's beds in OMRDD to bring children back from out-of-state placements; the New York/New York III Supportive Housing agreement and community bed expansion in OMH; and several chemical dependence treatment and prevention initiatives in OASAS, including treatment costs associated with Rockefeller Drug Law reform.

Children and Family Services

Children and Family Services local assistance spending is projected to grow by $145 million in 2010-11, $202 million in 2011-12 and $143 million in 2012-13. The increases are driven primarily by expected growth in local claims-based programs, including child welfare.

Temporary and Disability Assistance

Spending is projected at $1.3 billion in 2010-11, and is expected to increase to $1.4 billion by 2012-13, primarily the result of an expected decrease in Federal offsets, which increases the level of General Fund resources needed to fund existing commitments.

General Fund State Operations

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING STATE OPERATIONS

	Results	Forecast				
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
State Operations						
Prison Population (Corrections)	62,261	61,400	59,500	59,400	59,300	59,300
Negotiated Salary Increases*	3.0%	3.0%	3.0%	4.0%	0.0%	0.0%
Personal Service Inflation	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
State Workforce	199,754	199,916	190,335	190,195	190,195	190,195

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

State Operations spending is expected to total $8.9 billion in 2010-11, an annual increase of $266 million (3.1 percent). In 2011-12, spending is projected to grow by another $250 million (2.8 percent) to a total of $9.1 billion, followed by another $137 million (1.5 percent) for a total of $9.3 billion in 2012-13. The personal service portion of these increases reflects both the impact of the settled labor contracts and potential spending for unsettled unions (assuming comparable agreements to currently-settled unions), salary adjustments for performance advances, longevity payments and promotions; and increased staffing levels. Inflationary increases for non-personal service costs result in higher spending in all years. Additional growth is driven by spending for ongoing initiatives, including the civil commitment program for sexual offenders, and medical and pharmacy costs in the areas of mental hygiene and corrections.

The agencies and authorities experiencing the most significant personal service and non-personal service growth are depicted in the charts below, followed by brief descriptions.

Personal Service

GENERAL FUND - PERSONAL SERVICE (millions of dollars)					
	2009-10	2010-11	Annual $ Change	2011-12	2012-13
Total	**6,465**	**6,621**	**156**	**6,801**	**6,870**
Potential Labor Settlements	400	275	(125)	275	275
Workforce Reduction	(191)	(219)	(28)	(219)	(219)
Judiciary	1,500	1,681	181	1,829	1,862
State University	806	876	70	895	913
Correctional Services	1,773	1,807	34	1,803	1,807
Tax and Finance	281	296	15	296	296
State Police	453	420	(33)	420	420
All Other	1,443	1,485	42	1,502	1,516

- **Potential Labor Settlements:** The Financial Plan includes spending for potential settlements with unions that have not yet reached agreement with the State. The spending assumes settlements at the same terms that have been ratified by settled unions.
- **Workforce Reduction:** Reflects the WRP and the elimination of 2009-10 general salary increase, merit awards, longevity payments, and performance advances for most non-unionized employees.
- **Judiciary:** Reflects projections of anticipated needs for OCA.
- **State University:** Primarily reflects negotiated salary increases and increased investment in operations afforded by tuition increases.
- **Correctional Services:** Growth reflects facility closures, reductions in force, and ongoing cost controls.
- **Department of Taxation and Finance:** Changes reflect the annualization of additional full-time employees added for enhanced audit activity and information technology purposes.
- **State Police:** The higher spending in 2009-10 over 2010-11 is driven by the retroactive component of the PBA labor contract settlement expected to be paid in 2009-10.

Non-Personal Service

GENERAL FUND - NON-PERSONAL SERVICE (millions of dollars)					
	2009-10	2010-11	Annual $ Change	2011-12	2012-13
Total	**2,194**	**2,304**	**110**	**2,374**	**2,442**
Correctional Services	615	643	28	666	700
State Police	50	55	5	80	74
Public Health	127	146	19	150	150
State University	364	379	15	397	421
All Other	1,038	1,081	43	1,081	1,097

- **Correctional Services:** Growth is primarily driven by the escalating costs of food, fuel, utilities, and providing health care services and prescription drugs to inmates.
- **State Police:** Spending growth reflects costs previously supported by cellular surcharge revenues in other State funds, that will be supported by General Fund revenues in 2009-10.
- **Public Health:** Growth is largely driven by the annualization of funding for the State to directly enroll individuals into Medicaid, CHP and FHP.
- **State University:** Primarily reflects funding for inflationary increases in non-personal service at SUNY.

General Fund General State Charges

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING GENERAL STATE CHARGES

	Results	Forecast				
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
General State Charges						
Pension Contribution Rate as % of Salary	9.7%	8.8%	7.6%	10.5%	11.4%	11.5%
Rate of Growth Employee/Retiree Health Insurance	5.4%	4.9%	6.6%	10.5%	8.5%	8.5%

GSCs are projected to total $4.0 billion in 2010-11, $4.3 billion in 2011-12 and $4.8 billion in 2012-13. The annual increases are due mainly to anticipated cost increases in pensions and health insurance for State employees and retirees.

The State's pension contribution rate to the New York State and Local Retirement System, which is 7.6 percent for 2009-10, is expected to increase to 10.5 percent for 2010-11, 11.4 percent for 2011-12 and 11.5 percent in 2012-13. Pension costs in 2010-11 are projected to total $1.4 billion, an increase of $264 million over 2009-10. In 2011-12, costs are projected to increase an additional $113 million to total $1.5 billion. In 2012-13, they are expected to increase by $129 million to total $1.7 billion. Growth in all years is driven by anticipated increases in the employer contribution rate.

FORECAST OF NEW YORK STATE EMPLOYEE HEALTH INSURANCE COSTS (millions of dollars)

	Health Insurance		
Year	Active Employees	Retirees	Total State
2007-08 (Actual)	1,390	1,182	2,572
2008-09 (Unaudited Results)	1,639	1,068	2,707
2009-10 (Projected)	1,712	1,123	2,835
2010-11 (Projected)	1,906	1,247	3,153
2011-12 (Projected)	2,056	1,348	3,404
2012-13 (Projected)	2,217	1,456	3,673

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

Spending for employee and retiree health care costs is expected to increase by $318 million in 2010-11, $251 million in 2011-12, and another $269 million in 2012-13, and assumes an average annual premium increase of approximately 8.0 percent. Health insurance is projected at $3.2 billion in 2010-11 ($1.9 billion for active employees and $1.25 billion for retired employees), $3.4 billion in 2011-12 ($2.1

billion for active employees and $1.3 billion for retired employees), and $3.7 billion in 2012-13 ($2.2 billion for active employees and $1.5 billion for retired employees).

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

General Fund Transfers to Other Funds

OUTYEAR DISBURSEMENT PROJECTIONS - TRANSFERS TO OTHER FUNDS
(millions of dollars)

	2009-10	2010-11	Annual $ Change	2011-12	2012-13
Transfers to Other Funds:	**5,459**	**6,391**	**932**	**7,265**	**7,690**
Medicaid State Share	2,362	2,388	26	2,887	2,888
Debt Service	1,783	1,762	(21)	1,739	1,725
Capital Projects	551	1,162	611	1,319	1,491
Dedicated Highway and Bridge Trust Fund	383	763	380	842	923
All Other Capital	168	399	231	477	568
All Other Transfers	763	1,079	316	1,320	1,586
Mental Hygiene	12	295	283	494	705
Medicaid Payments for State Facility Patients	193	193	0	193	193
Judiciary Funds	149	150	1	156	161
SUNY- Hospital Operations	135	134	(1)	167	167
Banking Services	66	66	0	66	66
Empire State Stem Cell Trust Fund	16	13	(3)	-	56
Statewide Financial System	0	35	35	50	60
All Other	192	193	1	194	178

In 2010-11, transfers to other funds are estimated at $6.4 billion, an increase of $932 million over 2009-10. This includes increased transfers to the DHBTF (see additional discussion below), capital projects funds, and the mental hygiene system. In addition, transfers are increasing to fund the development of the State's new financial management system.

In 2011-12, transfers to other funds are expected to increase by $874 million. This increase reflects projected Medicaid State Share transfers without the benefit of the Federal ARRA package (or enhanced FMAPs), and expected increases in transfers to supplement resources available for the mental hygiene system. In 2012-13, transfers are expected to increase by $425 million, mainly to supplement resources available to the mental hygiene system and subsidize the DHBTF, as well as funding for stem cell research.

Dedicated Highway and Bridge Trust Fund

A significant portion of the capital and operating expenses of DOT and DMV are funded from the DHBTF. The Fund receives dedicated tax and fee revenue from the Petroleum Business Tax, the Motor Fuel Tax, the Auto Rental Tax, highway use taxes, transmission taxes and motor vehicle fees administered by DMV. The Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF. The subsidy is required because the cumulative expenses of the fund – capital and operating expenses of DOT and DMV, debt service on DHBTF bonds and transfers for debt service on bonds that fund CHIPs and local transportation programs – exceed current and projected revenue deposits and bond proceeds. The AIS presents a revised forecast for the General Fund subsidy to reflect Enacted Budget Financial Plan projections. The subsidy is projected at $763 million for 2010-11 and $842 million for 2011-12, with continued growth thereafter.

Financial Plan Reserves

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

The State projects that General Fund reserves will total $1.4 billion at the end of 2009-10, with $1.2 billion in undesignated reserves available to deal with unforeseen contingencies and $151 million designated for subsequent use.

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

The designated reserves consist of $78 million in the Community Projects Fund to finance existing "member-item" initiatives, and $73 million set aside for the debt management purposes.

Cash Flow Forecast

In 2009-10, the General Fund is projected to have quarterly-ending balances of $111 million in June 2009, $2.8 billion in September 2009, $1.2 billion in December 2009, and $1.4 billion at the end of March 2010. The lowest projected month-end cash flow balance is in June 2009. DOB's detailed monthly cash flow projections for 2009-10 are set forth in the Financial Plan tables.

OSC invests General Fund moneys, bond proceeds, and other funds not immediately required to make payments through the Short-Term Investment Pool (STIP), which is comprised of 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 Enacted 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). The Enacted Budget includes new loan authorization for the General Fund, as described above.

The total outstanding loan balance was $1.6 billion on March 31, 2009. This was comprised of advances to finance capital spending that will be reimbursed by bond proceeds or Federal grants ($808 million), activities financed by the State in the first instance that will be reimbursed by Federal aid ($411 million), and loans across several State Special Revenue Funds ($279 million) and Proprietary Funds ($53 million).

The total loan balance typically increases throughout the State fiscal year, reaching its peak between the second and third quarters. The spike mainly reflects the payment of lottery aid for education, which is financed in large part by a loan that is repaid over the course of the year as lottery revenues are received.

2009-10 All Funds Financial Plan Forecast

This section describes the State's Financial Plan projections for receipts and disbursements based on the 2009-10 Enacted Budget agreement. The receipts forecast describes estimates for the State's principal taxes, miscellaneous receipts, and transfers from other funds. The spending projections summarize the annual growth in current-services spending and the impact of the Budget on the State's major areas of spending. Financial Plan projections are presented on an All Funds basis, which encompasses activity in the General Fund, State Operating Funds, Capital Projects Funds, and Federal Operating Funds, thus providing the most comprehensive view of the financial operations of the State.

2009-10 Receipts Forecast

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

Overview of the Revenue Situation

- The current economic slowdown has broadened to virtually every sector of the New York State economy except for education, health care and social assistance. As a result, DOB anticipates that weaker employment, declining corporate earnings, reduced household spending and lower real estate activity will negatively impact State revenue in 2009-10.
- Base receipt growth over the period 2006-07 to 2008-09, supported by a strong financial services sector and real estate market, averaged 5.3 percent. However, the current decline in economic activity is estimated to negatively impact receipt growth for 2009-10 and 2010-11. As a result, base tax receipts (adjusting for law changes) are expected to fall 6.5 percent in 2009-10 and grow by 4.8 percent in 2010-11.
- The negative impact of the depressed equity and real estate markets on the State's economy in general and the financial services industry in particular is expected to result in major declines in bonus payouts during the current fiscal year (down 20 percent from prior year) and reduced growth in business tax receipts over the remaining years of the Financial Plan.
- The volatile real estate and financial markets represent even greater risks to revenues due to the high concentration of taxable income among a relatively small segment of the taxpaying population.
- The decline in the residential housing market is projected to largely eliminate the surge in taxable capital gains realizations associated with real estate sales that characterized the last few years.
- The economy is expected to continue to decline, and as a result, 2009-10 growth in PIT withholding and sales tax collections will be weak absent the legislation enacted with the Budget.
- The combined impact of the declining real estate and financial markets and the deepening recession results in estimated declines in PIT liability of 9.8 percent in the 2008 tax year, and 11.7 percent in the 2009 tax year, before the impact of the temporary rate increase effective in 2009.
- The broadening impact of the economic slowdown has reduced consumption of durable goods, non-durable goods and taxable services. In addition, the outlook for the nominal value of cars

purchased and disposable income have deteriorated, all negatively impacting growth in the sales tax revenue base.

- The large audit settlements associated with financial service industry firms continued into 2008-09 but are expected to be largely concluded before 2009-10, and this loss of resources must be compensated for by other tax compliance actions included with the Budget.

All Funds receipts are projected to total $130.6 billion, an increase of $11.3 billion over 2008-09 results. The following table summarizes the receipts projections for 2009-10 and 2010-11.

TOTAL RECEIPTS
(millions of dollars)

	2008-09 Results*	2009-10 Estimated	Annual $ Change	Annual % Change	2010-11 Projected	Annual $ Change	Annual % Change
General Fund	**53,801**	**54,338**	**537**	**1.0%**	**56,896**	**2,558**	**4.7%**
Taxes	38,301	39,401	1,100	2.9%	42,218	2,817	7.1%
Miscellaneous Receipts	3,105	3,381	276	8.9%	3,022	(359)	-10.6%
Federal Grants	45	0	(45)	-100.0%	0	0	0.0%
Transfers	12,350	11,556	(794)	-6.4%	11,656	100	0.9%
State Funds	**80,265**	**82,675**	**2,410**	**3.0%**	**85,885**	**3,210**	**3.9%**
Taxes	60,337	60,647	310	0.5%	64,383	3,736	6.2%
Miscellaneous Receipts	19,883	22,027	2,144	10.8%	21,501	(526)	-2.4%
Federal Grants	45	1	(44)	-97.8%	1	0	0.0%
All Funds	**119,235**	**130,550**	**11,315**	**9.5%**	**134,554**	**4,004**	**3.1%**
Taxes	60,337	60,647	310	0.5%	64,383	3,736	6.2%
Miscellaneous Receipts	20,064	22,185	2,121	10.6%	21,653	(532)	-2.4%
Federal Grants	38,834	47,718	8,884	22.9%	48,518	800	1.7%

** Unaudited Year-End Results.*

Base growth in tax receipts is estimated to decline 6.5 percent adjusted for law changes for fiscal year 2009-10 and rise by 4.8 percent for 2010-11. Overall base growth in tax receipts is dependent on many factors. For several years prior to fiscal year 2008-09 the most important factors supporting tax receipt growth were related to:

- Improvements in overall economic activity, especially in New York City and surrounding counties;
- 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 PIT growth.

Personal Income Tax

PERSONAL INCOME TAX (millions of dollars)							
	2008-09 Results*	2009-10 Estimated	Annual $ Change	Annual % Change	2010-11 Projected	Annual $ Change	Annual % Change
General Fund**	**23,196**	**24,404**	**1,208**	**5.2%**	**26,612**	**2,208**	**9.0%**
Gross Collections	44,011	44,070	59	0.1%	47,558	3,488	7.9%
Refunds/Offsets	(7,171)	(6,832)	339	-4.7%	(7,435)	(603)	8.8%
STAR	(4,434)	(3,524)	910	-20.5%	(3,480)	44	-1.2%
RBTF	(9,210)	(9,310)	(100)	1.1%	(10,031)	(721)	7.7%
State/All Funds	**36,840**	**37,238**	**398**	**1.1%**	**40,123**	**2,885**	**7.7%**
Gross Collections	44,011	44,070	59	0.1%	47,558	3,488	7.9%
Refunds	(7,171)	(6,832)	339	-4.7%	(7,435)	(603)	8.8%

** Unaudited Year-End Results.*
*** Excludes Transfers.*

All Funds PIT receipts, which reflect gross payments minus refunds, are estimated at $37.2 billion for 2009-10, a $398 million increase from the prior year. This is primarily attributable to an increase in withholding of $2.9 billion due to the three-year temporary increase in tax rates adopted in the Enacted Budget Plan. The increase is partially offset by decreases in extension payments and final payments for tax year 2008 of $2.5 billion (53 percent) and $565 million (22.6 percent), respectively. The decrease reflects the extraordinary weak settlement in tax year 2008 returns attributable to the declining economy. Estimated payments for tax year 2009 are projected to increase by $50 million (0.6 percent), with the increase entirely due to the impact of the temporary tax rate increase. Receipts from delinquencies are projected to increase $166 million over the prior year while refunds are estimated to decline by $339 million (4.7 percent). The following table summarizes, by component, actual receipts for 2008-09 and forecast amounts through 2012-13.

PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS ALL FUNDS (millions of dollars)					
	2008-09 (Results)*	2009-10 (Enacted)	2010-11 (Projected)	2011-12 (Projected)	2012-13 (Projected)
Receipts					
Withholding	27,686	30,626	31,063	32,350	32,949
Estimated Payments	12,690	10,193	13,033	13,285	11,945
Current Year	7,889	7,938	9,605	9,932	8,675
Prior Year*	4,801	2,255	3,428	3,353	3,270
Final Returns	2,686	2,136	2,293	2,459	2,637
Current Year	192	207	207	207	207
Prior Year**	2,494	1,929	2,086	2,252	2,430
Delinquent Collections	949	1,115	1,169	1,207	1,247
Gross Receipts	44,011	44,070	47,558	49,301	48,777
Refunds					
Prior Year*	4,544	4,238	4,823	5,109	5,352
Previous Years	402	344	324	324	324
Current Year*	1,750	1,750	1,750	1,750	1,750
State-City Offset*	475	500	538	621	712
Total Refunds	**7,171**	**6,832**	**7,435**	**7,804**	**8,138**
Net Receipts	**36,840**	**37,238**	**40,123**	**41,497**	**40,639**

** Unaudited Year-End Results*
*** These components, collectively, are known as the "settlement" on the prior year's tax liability.*

The table below shows the tax liability and fiscal impacts of the temporary tax rate increase by components.

TEMPORARY PERSONAL INCOME TAX INCREASE ALL FUNDS (millions of dollars)					
Tax Year		Fiscal Year 2009-10	2010-11	2011-12	Liability Totals
2009	Withholding	2,340	0	0	
	Estimated Tax	937	0	0	
	Settlement	0	623	0	
	Total	**3,277**	**623**	**0**	**3,900**
2010	Withholding	671	1,494	0	
	Estimated Tax	0	1,818	0	
	Settlement	0	0	348	
	Total	**671**	**3,312**	**348**	**4,331**
2011	Withholding	0	843	1,686	
	Estimated Tax	0	0	1,686	
	Settlement	0	0	0	
	Total	**0**	**843**	**3,372**	**4,215**
	Cash Total	**3,948**	**4,778**	**3,720**	**12,446**

All Funds income tax receipts of $40.1 billion for 2010-11 are projected to increase $2.9 billion or 7.7 percent from the prior year. Gross receipts are projected to grow 7.9 percent, largely reflecting projected increases in tax year 2010, estimated payments of $1.7 billion (21.0 percent), extension payments of $1.2 billion (52.0 percent) and withholding of $437 million (1.4 percent). Most of the increases in estimated payments and withholding are due to the enacted PIT temporary increase. Payments from final returns for tax year 2009 are projected to increase by $157 million (8.1 percent) and receipts from delinquencies are projected to increase $54 million (4.8 percent) over the prior year. Refunds are estimated to grow by $603 million or 8.8 percent, largely reflecting the impact of tax reductions contained in the Federal ARRA that affect the State's tax base.

General Fund income tax receipts are the net of deposits to the STAR Fund, which provides property tax relief, and the RBTF, which supports debt service payments on State PIT revenue bonds. General Fund income tax receipts of $24.4 billion for 2009-10 are expected to increase by $1.2 billion or 5.2 percent from the prior year. This increase reflects a decrease in STAR deposits of $910 million as a result of elimination of both the STAR rebate program and associated enhanced NYC STAR credit for 2009-10, partly offset by an increase in deposits to RBTF of $100 million.

General Fund income tax receipts of $26.6 billion for 2010-11 are projected to grow by $2.2 billion, or 9.0 percent over the current year. Along with the increase in All Funds receipts noted above, there is a marginal decrease of $44 million in STAR deposits. Deposits to the RBTF are expected to increase by 7.7 percent, the same percentage increase as projected for net collections since the deposit equals 25 percent of net collections.

PERSONAL INCOME TAX
(millions of dollars)

	2010-11 Projected	2011-12 Projected	Annual $ Change	2012-13 Projected	Annual $ Change
General Fund*	**26,612**	**27,447**	**835**	**26,625**	**(822)**
Gross Collections	47,558	49,301	1,743	48,777	(524)
Refunds/Offsets	(7,435)	(7,804)	(369)	(8,138)	(334)
STAR	(3,480)	(3,677)	(197)	(3,854)	(177)
RBTF	(10,031)	(10,373)	(342)	(10,160)	213
State/All Funds	**40,123**	**41,497**	**1,374**	**40,639**	**(858)**
Gross Collections	47,558	49,301	1,743	48,777	(524)
Refunds	(7,435)	(7,804)	(369)	(8,138)	(334)

** Excludes Transfers.*

All Funds income tax receipts of $41.5 billion for 2011-12 are projected to increase $1.4 billion, or 3.4 percent over the prior year. Gross receipts are projected to increase 3.7 percent and reflect withholding that is projected to grow by 4.1 percent ($1.3 billion). Total estimated taxes on prior and current year liabilities will increase by an estimated 1.9 percent ($252 million). Payments from final returns are expected to increase 7.2 percent ($166 million). Delinquencies are projected to increase $38 million or 3.3 percent over the prior year. Growth in total refunds is projected to increase $369 million or 5.0 percent over the prior year.

General Fund income tax receipts of $27.4 billion for 2011-12 are projected to increase by $835 million, or 3.1 percent from 2010-11. General Fund receipts for 2011-12 reflect a $197 million increase in STAR deposits, and a $342 million increase in deposits to the RBTF.

All Funds income tax receipts for 2012-13 are projected to be $40.6 billion. General Fund receipts are projected at $26.6 billion. Both figures reflect declines from the prior year due to the expiration of the temporary PIT increase after tax year 2011(with the last fiscal impact of the temporary increase occurring in 2011-12).

User Taxes and Fees

USER TAXES AND FEES
(millions of dollars)

	2008-09 Results*	2009-10 Estimated	Annual $ Change	Annual % Change	2010-11 Projected	Annual $ Change	Annual % Change
General Fund**	**8,361**	**8,520**	**159**	**1.9%**	**8,819**	**299**	**3.5%**
Sales Tax	7,707	7,793	86	1.1%	7,962	169	2.2%
Cigarette and Tobacco Taxes	446	425	(21)	-4.7%	421	(4)	-0.9%
Motor Vehicle Fees	(42)	19	61	-145.2%	149	130	684.2%
Alcoholic Beverage Taxes	206	235	29	14.1%	239	4	1.7%
ABC License Fees	44	48	4	9.1%	48	0	0.0%
State/All Funds	**14,004**	**14,375**	**371**	**2.6%**	**14,793**	**418**	**2.9%**
Sales Tax	10,985	11,147	162	1.5%	11,386	239	2.1%
Cigarette and Tobacco Taxes	1,340	1,331	(9)	-0.7%	1,324	(7)	-0.5%
Motor Fuel	504	520	16	3.2%	523	3	0.6%
Motor Vehicle Fees	723	876	153	21.2%	1,058	182	20.8%
Highway Use Tax	141	155	14	9.9%	149	(6)	-3.9%
Alcoholic Beverage Taxes	206	235	29	14.1%	239	4	1.7%
ABC License Fees	44	48	4	9.1%	48	0	0.0%
Auto Rental Tax	61	63	2	3.3%	66	3	4.8%

** Unaudited Year-End Results.*
*** Excludes Transfers.*

All Funds user taxes and fee receipts for 2009-10 are estimated to be approximately $14.4 billion, an increase of $371 million or 2.6 percent from 2008-09. Sales tax receipts are expected to increase by $162 million from the prior year due to a base decline of over 2 percent, which is more than offset by tax law changes. Non-sales tax user taxes and fees are estimated to increase by $209 million from 2008-09 mainly due to tax law changes in motor vehicle fees.

General Fund user taxes and fee receipts are expected to total $8.5 billion in 2009-10, an increase of $159 million or 1.9 percent from 2008-09. The increase largely reflects an increase in receipts due to sales tax receipts ($86 million), motor vehicle fees ($61 million) and alcoholic beverage taxes ($29 million), partially offset by a decrease in cigarette tax collections ($21 million).

All Funds user taxes and fee receipts for 2010-11 are projected to be $14.8 billion, an increase of $418 million, or 2.9 percent from 2009-10. This increase largely reflects fee and tax law changes in sales and use tax collections and motor vehicle fees. General Fund user taxes and fee receipts are projected to total $8.8 billion in 2010-11, an increase of $299 million, or 3.5 percent from 2009-10. This increase largely reflects fee and tax law changes in sales and use tax collections and motor vehicle fees.

USER TAXES AND FEES (millions of dollars)	2010-11 Projected	2011-12 Projected	Annual $ Change	2012-13 Projected	Annual $ Change
General Fund*	**8,819**	**9,193**	**374**	**9,469**	**276**
Sales Tax	7,962	8,325	363	8,693	368
Cigarette and Tobacco Taxes	421	416	(5)	409	(7)
Motor Vehicle Fees	149	160	11	67	(93)
Alcoholic Beverage Taxes	239	244	5	249	5
ABC License Fees	48	48	0	51	3
State/All Funds	**14,793**	**15,284**	**491**	**15,698**	**414**
Sales Tax	11,386	11,864	478	12,383	519
Cigarette and Tobacco Taxes	1,324	1,307	(17)	1,283	(24)
Motor Fuel	523	525	2	528	3
Motor Vehicle Fees	1,058	1,074	16	976	(98)
Highway Use Tax	149	155	6	160	5
Alcoholic Beverage Taxes	239	244	5	249	5
ABC License Fees	48	48	0	51	3
Auto Rental Tax	66	67	1	68	1

** Excludes Transfers.*

All Funds user taxes and fees are projected to increase by $491 million in 2011-12 and then increase by $414 million in 2012-13. This reflects the proposed fee and tax law changes becoming fully effective.

Business Taxes

BUSINESS TAXES (millions of dollars)	2008-09 Results*	2009-10 Estimated	Annual $ Change	Annual % Change	2010-11 Projected	Annual $ Change	Annual % Change
General Fund	**5,556**	**5,495**	**(61)**	**-1.1%**	**5,828**	**333**	**6.1%**
Corporate Franchise Tax	2,755	2,916	161	5.8%	3,211	295	10.1%
Corporation & Utilities Tax	654	729	75	11.5%	690	(39)	-5.3%
Insurance Tax	1,086	1,171	85	7.8%	1,181	10	0.9%
Bank Tax	1,061	679	(382)	-36.0%	746	67	9.9%
State/All Funds	**7,604**	**7,676**	**72**	**0.9%**	**8,045**	**369**	**4.8%**
Corporate Franchise Tax	3,221	3,374	153	4.8%	3,704	330	9.8%
Corporation & Utilities Tax	863	955	92	10.7%	905	(50)	-5.2%
Insurance Tax	1,181	1,434	253	21.4%	1,471	37	2.6%
Bank Tax	1,233	793	(440)	-35.7%	878	85	10.7%
Petroleum Business Tax	1,106	1,120	14	1.3%	1,087	(33)	-2.9%

** Unaudited Year-End Results.*

All Funds business tax receipts for 2009-10 are estimated at $7.7 billion, an increase of $72 million, or 0.9 percent from the prior year. The estimates reflect a net increase in receipts of $585 million resulting from tax law changes. The increase in the prepayment rate from 30 percent to 40 percent for most business taxpayers and the imposition of the insurance premiums tax on for-profit HMOs are the major tax law changes. Absent these provisions, All Funds business tax receipts are expected to decline by $513 million or 6.7 percent. The majority of this decline is in the corporate franchise tax and the bank tax. Corporate profits are expected to decline 22 percent in calendar year 2009 although the related revenue decline will be far less due to a higher proportion of taxpayers filing under non-income tax bases. Bank tax receipts in 2008-09 were bolstered by one-time receipts from the three month reopening of VCI.

This program, which allowed taxpayers to voluntarily report the use of IRS designated tax shelters, accounted for $370 million, or 81 percent of All Funds audit collections of $455 million. Bank tax audit collections are expected to fall to $71 million in 2009-10. Excluding Enacted Budget provisions, corporation and utilities tax receipts are expected to grow 4.6 percent as revenue from the telecommunication sector remains strong and the insurance tax is expected to remain virtually unchanged.

All Funds business tax receipts for 2010-11 of $8.0 billion are projected to increase by $369 million, or 4.8 percent over the prior year, reflecting rebound induced growth rates of 9.8 and 10.7 percent in corporate franchise tax and bank tax receipts respectively.

General Fund business tax receipts for 2009-10 of $5.5 billion are estimated to decrease by $61 million, or 1.1 percent below 2008-09 results. The General Fund decrease in business tax receipts is larger than the All Funds decline because the net revenue from the imposition of the insurance premiums tax on for-profit HMOs is dedicated to HCRA. Aside from this Enacted Budget provision, business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

General Fund business tax receipts for 2010-11 of $5.8 billion are projected to increase $333 million, or 6.1 percent over the prior year. Corporate franchise tax and bank tax receipts are projected to increase 10.1 percent and 9.9 percent, respectively as the economy begins to recover.

BUSINESS TAXES
(millions of dollars)

	2010-11 Projected	2011-12 Projected	Annual $ Change	2012-13 Projected	Annual $ Change
General Fund	**5,828**	**5,925**	**97**	**6,398**	**473**
Corporate Franchise Tax	3,211	3,129	(82)	3,513	384
Corporation & Utilities Tax	690	722	32	754	32
Insurance Tax	1,181	1,252	71	1,332	80
Bank Tax	746	822	76	799	(23)
State/All Funds	**8,045**	**8,177**	**132**	**8,697**	**520**
Corporate Franchise Tax	3,704	3,628	(76)	4,047	419
Corporation & Utilities Tax	905	942	37	979	37
Insurance Tax	1,471	1,550	79	1,636	86
Bank Tax	878	967	89	940	(27)
Petroleum Business Tax	1,087	1,090	3	1,095	5

All Funds business tax receipts estimated for 2011-12 and 2012-13 reflect trend growth that is determined in part by the expected levels of corporate profits, taxable insurance premiums, electric utility consumption prices, the consumption of telecommunications services and automobile fuel consumption and fuel prices. Business tax receipts are projected to increase to $8.2 billion (1.6 percent) in 2011-12, and $8.7 billion (6.4 percent) in 2012-13. General Fund business tax receipts over this period are expected to increase to $5.9 billion (1.7 percent) in 2011-12 and $6.4 billion (8.0 percent) in 2012-13.

Other Taxes

OTHER TAXES (millions of dollars)							
	2008-09 Results*	2009-10 Estimated	Annual $ Change	Annual % Change	2010-11 Projected	Annual $ Change	Annual % Change
General Fund**	**1,188**	**982**	**(206)**	**-17.3%**	**959**	**(23)**	**-2.3%**
Estate Tax	1,163	958	(205)	-17.6%	935	(23)	-2.4%
Gift Tax	2	0	(2)	-100.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	N/A	0	0	0.0%
Pari-Mutuel Taxes	22	23	1	4.5%	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State/All Funds	**1,889**	**1,357**	**(532)**	**-28.2%**	**1,422**	**65**	**4.8%**
Estate Tax	1,163	958	(205)	-17.6%	935	(23)	-2.4%
Gift Tax	2	0	(2)	-100.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	N/A	0	0	0.0%
Real Estate Transfer Tax	701	375	(326)	-46.5%	463	88	23.5%
Pari-Mutuel Taxes	22	23	1	4.5%	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

** Unaudited Year-End Results.*
*** Excludes Transfers.*

All Funds other tax receipts for 2009-10 are estimated to be $1.4 billion, down $532 million or 28.2 percent from 2008-09 receipts. This decrease reflects a 17.6 percent decline in the estate tax collections due to declines in equity and home values experienced over the past year, combined with a nearly 47 percent decline in real estate transfer tax collections as a result of current conditions in the real estate and credit markets. General Fund other tax receipts are expected to total $982 million in fiscal year 2009-10, reflecting the $205 million decline in estate tax collections.

All Funds other tax receipts for 2010-11 are projected to be $1.4 billion, up $65 million or 4.8 percent from 2009-10, reflecting growth in the real estate transfer tax of 23.5 percent, reflecting the beginning of a rebound in the residential and commercial markets, partially offset by a 2.4 percent decline in estate tax collections. General Fund other tax receipts are expected to total $959 million in fiscal year 2010-11, an decrease of $23 million which is attributable to a projected decline in the estate tax.

OTHER TAXES (millions of dollars)					
	2010-11 Projected	2011-12 Projected	Annual $ Change	2012-13 Projected	Annual $ Change
General Fund*	**959**	**1,015**	**56**	**1,077**	**62**
Estate Tax	935	991	56	1,053	62
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Pari-Mutuel Taxes	23	23	0	23	0
All Other Taxes	1	1	0	1	0
State/All Funds	**1,422**	**1,566**	**144**	**1,708**	**142**
Estate Tax	935	991	56	1,053	62
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Real Estate Transfer Tax	463	551	88	631	80
Pari-Mutuel Taxes	23	23	0	23	0
All Other Taxes	1	1	0	1	0

** Excludes Transfers.*

The 2011-12 All Funds receipts projection for other taxes is nearly $1.6 billion, up $144 million or 10.1 percent from 2010-11 receipts. Growth in the estate tax is projected to follow expected increases in household net worth as equity prices begin to rebound. Receipts from the real estate transfer tax are projected to increase, reflecting the continued improvement in the residential and commercial markets.

The 2012-13 All Funds receipts projection for other taxes of $1.7 billion is up $142 million or 9.1 percent from 2011-12 receipts.

Miscellaneous Receipts and Federal Grants

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars)							
	2008-09 Results*	2009-10 Estimated	Annual $ Change	Annual % Change	2010-11 Projected	Annual $ Change	Annual % Change
General Fund	**3,150**	**3,381**	**231**	**7.3%**	**3,022**	**(359)**	**-10.6%**
Miscellaneous Receipts	3,105	3,381	276	8.9%	3,022	(359)	-10.6%
Federal Grants	45	0	(45)	-100.0%	0	0	0.0%
State Funds	**19,928**	**22,028**	**2,100**	**10.5%**	**21,502**	**(526)**	**-2.4%**
Miscellaneous Receipts	19,883	22,027	2,144	10.8%	21,501	(526)	-2.4%
Federal Grants	45	1	(44)	-97.8%	1	0	0.0%
All Funds	**58,898**	**69,903**	**11,005**	**18.7%**	**70,171**	**268**	**0.4%**
Miscellaneous Receipts	20,064	22,185	2,121	10.6%	21,653	(532)	-2.4%
Federal Grants	38,834	47,718	8,884	22.9%	48,518	800	1.7%

** Unaudited Year-End Results.*

All Funds miscellaneous receipts include moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are projected to total $22.2 billion in 2009-10, an increase of $2.1 billion from 2008-09 results, largely driven by programs financed with authority bond proceeds ($718 million), including spending in economic development, SUNY and State equipment financing; growth in SUNY tuition, fee, patient, and other income ($459 million), increased lottery receipts, including VLT ($213 million) and growth in HCRA receipts ($470 million).

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, school aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically plans that Federal reimbursement will be received in the State fiscal year in which spending occurs, but timing is often unpredictable. All Funds Federal grants are projected to total $47.7 billion in 2009-10, an increase of $8.9 billion from 2008-09 results driven by receipt of Federal ARRA monies.

General Fund miscellaneous receipts collections are estimated to be approximately $3.4 billion in 2009-10, up $276 million from 2008-09 results. This increase is primarily due to actions taken with the 2009-10 Enacted Budget.

All Funds miscellaneous receipts are projected to total $21.7 billion in 2010-11, a decrease of $532 million from the current year, driven by General Fund changes of $359 million primarily due to the loss of several one-time receipts including payments related to NYPA, augmented by a decline in programs financed with authority bond proceeds ($150 million).

All Funds Federal grants are projected to total $48.5 billion in 2010-11, an increase of $800 million from the current year reflecting an increase in Federal ARRA funding.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS
(millions of dollars)

	2010-11 Projected	2011-12 Projected	Annual $ Change	2012-13 Projected	Annual $ Change
General Fund	**3,022**	**3,017**	**(5)**	**3,043**	**26**
Miscellaneous Receipts	3,022	3,017	(5)	3,043	26
Federal Grants	0	0	0	0	0
State Funds	**21,502**	**22,472**	**970**	**21,863**	**(609)**
Miscellaneous Receipts	21,501	22,471	970	21,862	(609)
Federal Grants	1	1	0	1	0
All Funds	**70,171**	**65,677**	**(4,494)**	**64,362**	**(1,315)**
Miscellaneous Receipts	21,653	22,574	921	21,965	(609)
Federal Grants	48,518	43,103	(5,415)	42,397	(706)

General Fund miscellaneous receipts and Federal grants are projected to be $3.0 billion in each year beginning in 2010-11.

All funds miscellaneous receipts are projected to increase by $921 million in 2011-12 and decline by $609 million in 2012-13 driven by the one-time receipt of franchise fees related to the development of VLT facilities ($370 million).

The loss of Federal ARRA aid drives the All Funds Federal grant declines of $5.4 billion in 2011-12 and $706 million in 2012-13.

2009-10 Financial Plan Disbursements Forecast

TOTAL DISBURSEMENTS (millions of dollars)							
			Before Actions *			After Actions	
	2008-09 Results **	2009-10 Base	Annual $ Change	Annual % Change	2009-10 Enacted	Annual $ Change	Annual % Change
State Operating Funds	**78,168**	**88,154**	**9,986**	**12.8%**	**78,742**	**574**	**0.7%**
General Fund ***	48,436	57,136	8,700	18.0%	49,449	1,013	2.1%
Other State Funds	25,146	25,804	658	2.6%	24,075	(1,071)	-4.3%
Debt Service Funds	4,586	5,214	628	13.7%	5,218	632	13.8%
All Governmental Funds	**121,571**	**132,753**	**11,182**	**9.2%**	**131,935**	**10,364**	**8.5%**
State Operating Funds	78,168	88,154	9,986	12.8%	78,742	574	0.7%
Capital Projects Funds	6,830	7,983	1,153	16.9%	8,832	2,002	29.3%
Federal Operating Funds	36,573	36,616	43	0.1%	44,361	7,788	21.3%
General Fund, including Transfers	**54,607**	**63,565**	**8,958**	**16.4%**	**54,908**	**301**	**0.6%**

* i.e. current services.
** Unaudited Results.
*** Excludes transfers.

General Fund disbursements, including transfers to other funds, are projected to total $54.9 billion in 2009-10, an increase of $301 million from 2008-09 results. State Operating Funds spending, which includes both the General Fund and spending from other operating funds supported by assessments, tuition, HCRA resources and other non-Federal revenues, is projected to total $78.7 billion in 2009-10. The General Fund and State Operating Funds spending totals are reduced by the increase in FMAP. The projected receipt of extraordinary Federal aid in 2009-10 adds approximately $7.2 billion to the All Funds spending total.

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The major sources of annual spending change between 2008-09 and 2009-10 (after Enacted Budget actions) are summarized in the table below.

ENACTED BUDGET SPENDING PROJECTIONS - AFTER ENACTED BUDGET ACTIONS
MAJOR SOURCES OF ANNUAL CHANGE
(millions of dollars)

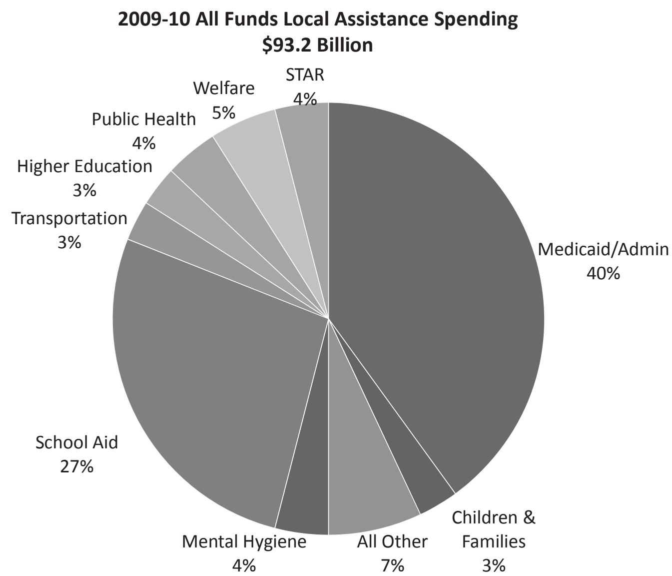
	General Fund *	Other State Funds**	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	Total All Funds
2008-09 Results* **	**48,436**	**29,732**	**78,168**	**6,830**	**36,573**	**121,571**
Major Functions						
Public Health:						
Medicaid	(1,740)	1,073	(667)	0	4,272	3,605
Public Health	165	(406)	(241)	151	72	(18)
K-12 Education:						
School Aid	263	(197)	66	0	1,426	1,492
All Other Education Aid	16	(5)	11	113	592	716
STAR	0	(911)	(911)	0	0	(911)
Higher Education	578	427	1,005	232	110	1,347
Social Services:						
Temporary and Disability Assistance	66	(3)	63	(2)	(1)	60
Children and Family Services	148	(1)	147	(1)	37	183
Mental Hygiene	85	(98)	(13)	56	253	296
Transportation	(8)	(367)	(375)	735	(7)	353
General State Charges	620	(327)	293	0	97	390
Debt Service	49	564	613	0	0	613
All Other Changes						
Economic Development	(34)	217	183	436	301	920
Potential Labor Settlements	400	24	424	0	0	424
Labor	9	(3)	6	0	312	318
Homeland Security	46	(7)	39	(2)	217	254
Technology	11	0	11	97	12	120
Local Government Aid	97	0	97	0	0	97
State Police	(8)	66	58	26	(4)	80
Military and Naval Affairs	18	4	22	(7)	58	73
Judiciary	23	14	37	23	1	61
Elections	4	(3)	1	0	59	60
Empire State Stem Cell Trust Fund	0	38	38	0	0	38
Department of State	7	(3)	4	(14)	43	33
Criminal Justice Services	(13)	(9)	(22)	0	(1)	(23)
Parks and Recreation	(14)	(21)	(35)	13	(2)	(24)
Correctional Services	(71)	1	(70)	36	9	(25)
All Other	296	(506)	(210)	110	(68)	(168)
2009-10 Enacted Budget	**49,449**	**29,293**	**78,742**	**8,832**	**44,361**	**131,935**
Annual Dollar Change	*1,013*	*(439)*	*574*	*2,002*	*7,788*	*10,364*
Annual Percent Change	*2.1%*	*-1.5%*	*0.7%*	*29.3%*	*21.3%*	*8.5%*

** Excludes Transfers.*
*** Includes State Special Revenue and Debt Service Funds.*
**** Unaudited Year-End Results.*

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

Grants to Local Governments

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



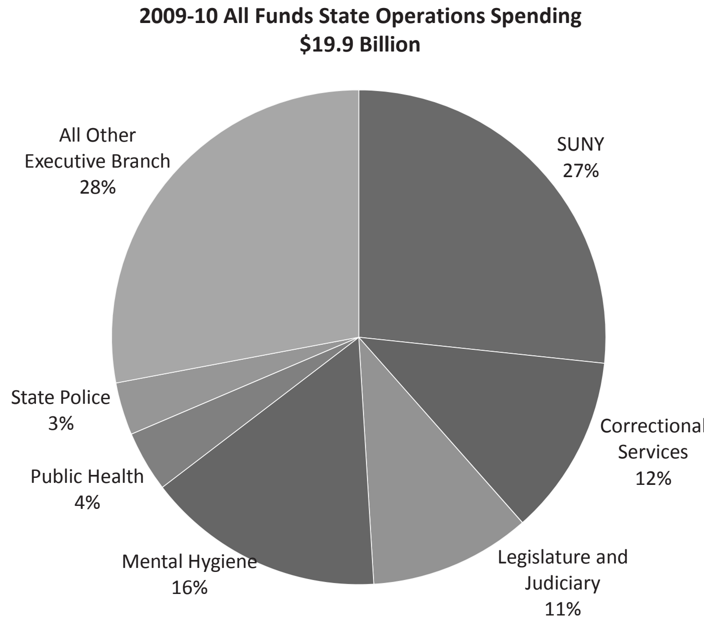
In 2009-10, All Funds spending for local assistance is proposed to total $93.2 billion. Total spending is comprised of State aid to medical assistance providers and public health programs ($40.5 billion); State aid for education, including school districts, universities, and tuition assistance ($34.3 billion); temporary and disability assistance ($4.8 billion); mental hygiene programs ($3.9 billion); transportation ($3.1 billion); children and family services ($2.7 billion); and local government assistance ($1.1 billion). Other local assistance programs include criminal justice, economic development, housing, parks and recreation, and environmental quality.

LOCAL ASSISTANCE SPENDING PROJECTIONS
(millions of dollars)

	2008-09 Results*	2009-10 Enacted	Annual $ Change	Annual % Change
General Fund	**37,040**	**37,086**	**46**	**0.1%**
Other State Support	16,944	16,199	(745)	**-4.4%**
State Operating Funds	**53,984**	**53,285**	**(699)**	**-1.3%**
Capital Project Funds	1,356	860	(496)	**-36.6%**
Federal Operating Funds	31,927	39,046	7,119	**22.3%**
All Funds	**87,267**	**93,191**	**5,924**	**6.8%**

** Unaudited Year-End Results.*

State Operations



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

Approximately 93 percent of the State workforce is unionized. The largest unions include CSEA, which primarily represents office support staff and administrative personnel, machine operators, skilled trade workers, and therapeutic and custodial care staff; PEF, which primarily represents professional and technical personnel (i.e., attorneys, nurses, accountants, social workers, and institution teachers); UUP, which represents faculty and non-teaching professional staff within the State University system; and NYSCOPBA, which represents security personnel (correction officers, safety and security officers).

The State workforce subject to Executive control (i.e., OSC, Law, SUNY/CUNY, and excluding the Legislature, Judiciary, and contractual labor), is projected to total 128,803 FTEs in 2009-10, a decrease of 7,687 from 2008-09 levels. Decreases are expected in nearly all agencies, mainly as a result of facility closures and the WRP.

State Operations spending, which is projected to total $19.9 billion in 2009-10, finances the costs of Executive agencies ($17.8 billion), and the Legislature and Judiciary ($2.1 billion). The largest agencies in dollar terms and staffing levels include SUNY ($5.3 billion; 40,609 FTEs), Correctional Services ($2.4 billion; 29,175 FTEs), Mental Hygiene ($3.1 billion; 38,160 FTEs), DOH ($800 million; 5,441 FTEs), and State Police ($715 million; 5,607 FTEs).

STATE OPERATIONS SPENDING PROJECTIONS
(millions of dollars)

	2008-09 Results*	2009-10 Enacted	Annual $ Change	Annual % Change
General Fund	**8,312**	**8,659**	**347**	**4.2%**
Other State Support	6,942	6,968	26	0.4%
State Operating Funds	**15,254**	**15,627**	**373**	**2.4%**
Capital Projects Funds	0	0	0	N/A
Federal Operating Funds	3,712	4,284	572	15.4%
Total All Funds	**18,966**	**19,911**	**945**	**5.0%**

** Unaudited Year-End Results.*

State Operations spending by category, based upon prior year spending trends, is allocated among employee regular salaries (69 percent), overtime payments (3 percent), contractual services (19 percent), supplies and materials (4 percent), equipment (2 percent), employee travel (1 percent), and other operational costs (2 percent).

STATE OPERATIONS SPENDING PROJECTIONS
MAJOR SOURCES OF ANNUAL CHANGE - STATE OPERATING FUNDS
(millions of dollars)

	Personal Service	Non-Personal Service	State Operations
2008-09 Results*	**10,329**	**4,925**	**15,254**
Reserve for Unsettled Unions	424	0	424
Workforce Reduction	(267)	0	(267)
SUNY	106	194	300
State Police	103	(17)	86
Tax and Finance	42	5	47
Stem Cell Research	(1)	39	38
Judiciary	73	(42)	31
Labor management Committee	(4)	29	25
Correctional Services	(36)	54	18
Temporary and Disability Assistance	2	14	16
Public Health	3	22	25
Mental Hygiene	(187)	(2)	(189)
Insurance	(7)	(63)	(70)
2009-10 Spending Controls	0	(50)	(50)
All Other	(110)	49	(61)
2009-10 Enacted	**10,470**	**5,157**	**15,627**
Annual Dollar Change	*141*	*232*	*373*
Annual Percent Change	*1.4%*	*4.7%*	*2.4%*

** Unaudited Year-End Results.*

The State Operating Funds spending increase of $373 million (2.4 percent) in State Operations is primarily driven by a reserve to finance potential collective bargaining agreements with unsettled unions ($424 million), SUNY ($300 million), State Police ($86 million), Department of Taxation and Finance ($47 million), and stem cell research ($38 million) offset by a planned workforce reduction and a decline in State share Medicaid payments to State-owned mental hygiene facilities due to increased Federal

Medicaid participation. The annual changes by personal service and non-personal service are summarized in the following tables.

Personal Service

PERSONAL SERVICE SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE) FROM 2008-09 TO 2009-10 (millions of dollars)	General Fund	Other State Funds	Total State Operating Funds	Federal Operating Funds	Total All Funds
2008-09 Results*	**6,168**	**4,161**	**10,329**	**2,280**	**12,609**
Current Services:	**731**	**(21)**	**710**	**22**	**732**
Reserve for Unsettled Unions	400	24	424	0	424
Judiciary	58	0	58	(2)	56
Public Health	22	(18)	4	(18)	(14)
Children and Family Services	19	0	19	(3)	16
State University	38	(26)	12	1	13
State Police	86	13	99	(2)	97
Mental Hygiene	1	100	101	(19)	82
Agency Salary Adjustments	74	42	116	23	139
Workforce Changes	33	(156)	(123)	42	(81)
Extraordinary Federal Aid:	**0**	**(267)**	**(267)**	**301**	**34**
Mental Hygiene FMAP	0	(267)	(267)	267	0
Labor	0	0	0	30	30
All Other	0	0	0	4	4
Enacted Savings:	**(478)**	**130**	**(348)**	**(114)**	**(462)**
Workforce Reduction	(191)	(76)	(267)	(111)	(378)
SUNY Tuition Increase	(87)	108	21	0	21
Auto Insurance Surcharge	(48)	48	0	0	0
SUNY	(45)	88	43	0	43
DOCS Facility Closures/Correctional Services	(58)	0	(58)	0	(58)
Delay Mental Health Expansion	(11)	0	(11)	0	(11)
Youth Facility Closures/Downsizing	(10)	0	(10)	0	(10)
Real Property Services Fund Shift	20	(20)	0	0	0
Mental Hygiene	0	(29)	(29)	(10)	(39)
All Other	(48)	11	(37)	7	(30)
New Initiatives:	**44**	**2**	**46**	**0**	**46**
Tax and Finance	41	0	41	0	41
All Other	3	2	5	0	5
2009-10 Enacted	**6,465**	**4,005**	**10,470**	**2,489**	**12,959**
Total Annual Change	*297*	*(156)*	*141*	*209*	*350*

** Unaudited Year-End Results.*

Non-Personal Service

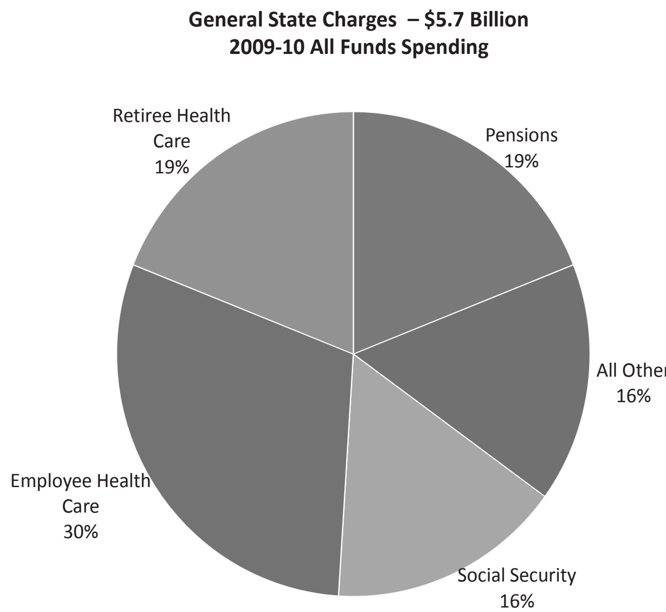
NON-PERSONAL SERVICE
SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE)
FROM 2008-09 TO 2009-10
(millions of dollars)

	General Fund	Other State Funds	Total State Operating Funds	Federal Operating Funds	All Funds
2008-09 Results*	**2,144**	**2,781**	**4,925**	**1,432**	**6,357**
Current Services:	**194**	**89**	**283**	**208**	**491**
Correctional Services	76	0	76	0	76
Mental Hygiene	0	7	7	139	146
State University	63	116	179	(5)	174
State Police	15	(24)	(9)	(2)	(11)
Temporary and Disability Assistance	22	0	22	(9)	13
Public Health	16	9	25	3	28
Labor Management Committee	28	1	29	0	29
Judiciary	(45)	2	(43)	4	(39)
Elections	1	(3)	(2)	42	40
Insurance	(84)	2	(82)	0	(82)
Stem Cell Research	0	60	60	0	60
All Other	102	(81)	21	36	57
Extraordinary Federal Aid:	**0**	**0**	**0**	**173**	**173**
Labor	0	0	0	86	86
SUNY Pell Grants	0	0	0	28	28
Technology	0	0	0	12	12
Public Health	0	0	0	26	26
Criminal Justice	0	0	0	8	8
All Other	0	0	0	13	13
Enacted Savings:	**(199)**	**85**	**(114)**	**(18)**	**(132)**
DOCS Facility Closures/Correctional Services	(28)	0	(28)	0	(28)
2009-10 Spending Controls	(50)	0	(50)	0	(50)
Health Program Financing	0	15	15	0	15
SUNY Tuition Increase	(35)	45	10	0	10
Workers Compensation Board	0	20	20	0	20
SUNY	(19)	24	5	0	5
Mental Hygiene	0	(9)	(9)	(13)	(22)
SWN Funding	(26)	26	0	0	0
Public Safety	(13)	0	(13)	0	(13)
Economic Development	(11)	0	(11)	0	(11)
Stem Cell	0	(21)	(21)	0	(21)
All Other	(17)	(15)	(32)	(5)	(37)
New Initiatives:	**55**	**8**	**63**	**0**	**63**
Higher Education	50	3	53	0	53
All Other	5	5	10	0	10
2009-10 Enacted	**2,194**	**2,963**	**5,157**	**1,795**	**6,952**
Total Annual Change	*50*	*182*	*232*	*363*	*595*

** Unaudited Year-End Results.*

General State Charges

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



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

GENERAL STATE CHARGES SPENDING PROJECTIONS
(millions of dollars)

	2008-09 Results*	2009-10 Enacted	Annual $ Change	Annual % Change
General Fund	3,084	3,704	620	20.1%
Other State Support	1,307	980	(327)	-25.0%
State Operating Funds	**4,391**	**4,684**	**293**	**6.7%**
Capital Projects Funds	0	0	0	0.0%
Federal Operating Funds	934	1,031	97	10.4%
Total All Funds	**5,325**	**5,715**	**390**	**7.3%**

* *Unaudited Year-End Results.*

All Funds spending on GSCs is expected to total $5.7 billion in 2009-10, and includes health insurance spending for employees ($1.7 billion) and retirees ($1.1 billion), pensions ($1.1 billion) and Social Security ($962 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 (i.e., ESDC, DASNY, and the TA, 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)

	2008-09 Results*	2009-10 Enacted	Annual $ Change	Annual % Change
General Fund	**1,734**	**1,783**	**49**	**2.8%**
Other State Support	2,796	3,360	564	20.2%
State Operating Funds	**4,530**	**5,143**	**613**	**13.5%**
Capital Projects Funds	**0**	**0**	**0**	**0.0%**
Total All Funds	**4,530**	**5,143**	**613**	**13.5%**

** Unaudited Year-End Results.*

All Funds debt service is projected at $5.1 billion in 2009-10, of which $1.8 billion is paid from the General Fund through transfers and $3.4 billion from other State funds. The General Fund transfer primarily finances debt service payments on general obligation and service contract bonds. Debt service is paid directly from other State funds for the State's revenue bonds, including PIT revenue bonds, DHBTF bonds, and mental health facilities bonds.

The Enacted Budget Financial Plan includes $12 million in savings from debt management actions. Legislation was enacted to provide greater flexibility in administering the PIT Revenue Bond program by permitting DASNY and ESDC to issue bonds for any authorized PIT Revenue Bond purpose. This is expected to result in improved scheduling and sizing for PIT Revenue Bond sales, producing savings through efficiencies in bond pricing and administration. Administrative actions to reduce costs will be continued. These include a goal of selling 25 percent of bonds on a competitive basis, market conditions permitting, and maximizing refunding opportunities, including through consolidated service contract structures.

Capital Projects

Capital Projects account for spending across all functional areas to finance costs related to the acquisition, construction, repair or renovation of fixed assets. Spending from appropriations made from over 30 capital projects funds 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)	2008-09 Results*	2009-10 Enacted	Annual $ Change	Annual % Change
General Fund	**473**	**551**	**78**	**16.5%**
Other State Support	4,505	5,364	859	19.1%
State Funds	**4,978**	**5,915**	**937**	**18.8%**
Federal Funds	1,852	2,917	1,065	57.5%
All Funds	**6,830**	**8,832**	**2,002**	**29.3%**

** Unaudited Year-End Results.*

All Funds capital spending is expected to total $8.8 billion in 2009-10. Transportation spending, primarily for improvements and maintenance to the State's highways and bridges, continues to account for the largest share (51 percent) of this total. The balance of projected spending will support capital investments in the areas of economic development (14 percent), education (11 percent), mental hygiene and public protection (7 percent), and parks and the environment (10 percent). The remainder of projected capital projects spending is spread across health and social welfare, general government and other areas (7 percent). State funds are expected to increase by $937 million, or 19 percent, primarily attributable to changes in transportation spending for the Five-Year Capital Plan ($200 million), education spending for SUNY and infrastructure improvements for private colleges and universities ($295 million), and economic development for previously authorized projects ($195 million). Federal ARRA funds represent 98 percent of the annual change in Federal spending. These funds are projected to increase Federal spending by $1.0 billion, providing significant investments in the State's capital infrastructure. Nearly half of this amount will be directed to DOT for infrastructure improvements.

Other Financing Sources/(Uses)

The most significant General Fund transfers to other funds in 2009-10 include transfers for State share Medicaid ($2.4 billion), general debt service ($1.8 billion), and capital projects ($551 million, including $168 million for PAYGO projects and a $383 million subsidy to the DHBTF). Judiciary funding includes money transferred to the Court Facilities Incentive Aid Fund, New York City County Clerks Fund, and Judiciary Data Processing Fund ($149 million). Also included in General Fund transfers to other funds are transfers representing payments for patients residing in State-operated health and SUNY facilities ($193 million), and SUNY hospital subsidy payments ($135 million).

In Special Revenue Funds, transfers to other funds include transfers to the Debt Service Funds representing the Federal share of Medicaid payments for patients residing in State-operated health and mental hygiene facilities and community homes, and patients at SUNY hospitals ($3.5 billion), a transfer from HCRA to the Capital Projects Fund to finance anticipated non-bondable spending for HEAL-NY ($140 million) and transfer of moneys from several Special Revenue accounts in excess of spending requirements ($1.0 billion).

Capital Projects funds transfers include transfers to the General Debt Service Fund from the DHBTF ($1.0 billion), and transfers from the Hazardous Waste Remedial Fund ($27 million), and the Environmental Protection Fund ($95 million), to the General Fund.

Debt Service Fund transfers to the General Fund include tax receipts in excess of debt service requirements for general obligation, LGAC and PIT Revenue Bonds ($10.4 billion). Transfers to Special Revenue Funds represent receipts in excess of lease/purchase obligations that are used to finance a portion of the operating expenses for DOH, mental hygiene, and SUNY ($3.8 billion).

CASH FINANCIAL PLAN
GENERAL FUND
2008-2009 and 2009-2010
(millions of dollars)

	2008-2009 Year-End*	2009-2010 Enacted	Annual $ Change	Annual % Change
Opening fund balance	2,754	1,948	(806)	
Receipts:				
Taxes:				
Personal income tax	23,196	24,404	1,208	5.2%
User taxes and fees	8,361	8,520	159	1.9%
Business taxes	5,556	5,495	(61)	-1.1%
Other taxes	1,188	982	(206)	-17.3%
Miscellaneous receipts	3,105	3,381	276	8.9%
Federal grants	45	0	(45)	-100.0%
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	8,404	8,130	(274)	-3.3%
Sales tax in excess of LGAC debt service	2,195	2,200	5	0.2%
Real estate taxes in excess of CW/CA debt service	352	57	(295)	-83.8%
All other transfers	1,399	1,169	(230)	-16.4%
Total receipts	53,801	54,338	537	1.0%
Disbursements:				
Grants to local governments	37,040	37,086	46	0.1%
State operations:				
Personal Service	6,168	6,465	297	4.8%
Non-Personal Service	2,144	2,194	50	2.3%
General State charges	3,084	3,704	620	20.1%
Transfers to other funds:				
Debt service	1,734	1,783	49	2.8%
Capital projects	473	551	78	16.5%
State Share Medicaid	2,625	2,362	(263)	-10.0%
Other purposes	1,339	763	(576)	-43.0%
Total disbursements	54,607	54,908	301	0.6%
Change in fund balance	(806)	(570)	236	-29.3%
Closing fund balance	1,948	1,378	(570)	-29.3%
Reserves				
Tax Stabilization Reserve Fund	1,031	1,031	0	
Statutory Rainy Day Reserve Fund	175	175	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	145	78	(67)	
Debt Reduction Reserve Fund **	73	73	0	
Reserve for Timing Related Delays**	163	0	(163)	
Remaining Reserve for 2009-10 Use**	340	0	(340)	

**Unaudited Year-end Results*

***Reserve Funds that are DOB-designated uses of the Refund Reserve Account.*

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
2009-2010 through 2012-2013
(millions of dollars)

	2009-2010 Enacted	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected
Receipts:				
Taxes:				
Personal income tax	24,404	26,612	27,447	26,625
User taxes and fees	8,520	8,819	9,193	9,469
Business taxes	5,495	5,828	5,925	6,398
Other taxes	982	959	1,015	1,077
Miscellaneous receipts	3,381	3,022	3,017	3,043
Federal grants	0	0	0	0
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	8,130	8,532	8,579	8,110
Sales tax in excess of LGAC debt service	2,200	2,254	2,344	2,463
Real estate taxes in excess of CW/CA debt service	57	147	244	329
All other transfers	1,169	723	684	695
Total receipts	54,338	56,896	58,448	58,209
Disbursements:				
Grants to local governments	37,086	39,664	46,467	50,283
State operations:				
Personal Service	6,465	6,621	6,801	6,870
Non-Personal Service	2,194	2,304	2,374	2,442
General State charges	3,704	4,042	4,344	4,760
Transfers to other funds:				
Debt service	1,783	1,762	1,739	1,725
Capital projects	551	1,162	1,319	1,491
State Share Medicaid	2,362	2,388	2,887	2,888
Other purposes	763	1,079	1,320	1,586
Total disbursements	54,908	59,022	67,251	72,045
Deposit to/(use of) Community Projects Fund	(67)	55	(41)	(92)
Deposit to/(use of) Reserve for Timing Related Delays	(163)	0	0	0
Deposit to/(use of) Remaining Prior Year Reserves	(340)	0	0	0
General Fund Margin	0	(2,181)	(8,762)	(13,744)
HCRA Operating Surplus	0	15	5	38
Combined General Fund/HCRA Margin	0	(2,166)	(8,757)	(13,706)

Source: NYS DOB

CURRENT STATE RECEIPTS
GENERAL FUND
2008-2009 and 2009-2010
(millions of dollars)

	2008-2009 Year-End*	2009-2010 Enacted	Annual $ Change	Annual % Change
Taxes:				
Withholdings	27,686	30,626	2,940	10.6%
Estimated Payments	12,690	10,193	(2,497)	-19.7%
Final Payments	2,686	2,136	(550)	-20.5%
Other Payments	949	1,115	166	17.5%
Gross Collections	44,011	44,070	59	0.1%
State/City Offset	(475)	(500)	(25)	5.3%
Refunds	(6,696)	(6,332)	364	-5.4%
Reported Tax Collections	36,840	37,238	398	1.1%
STAR (dedicated deposits)	(4,434)	(3,524)	910	-20.5%
RBTF (dedicated transfers)	(9,210)	(9,310)	(100)	1.1%
Personal income tax	23,196	24,404	1,208	5.2%
Sales and use tax	10,274	10,389	115	1.1%
Cigarette and tobacco taxes	446	425	(21)	-4.7%
Motor fuel tax	0	0	0	--
Motor vehicle fees	(42)	19	61	-145.2%
Alcoholic beverages taxes	206	235	29	14.1%
Highway Use tax	0	0	0	--
Alcoholic beverage control license fees	44	48	4	9.1%
Auto rental tax	0	0	0	--
Gross Utility Taxes and fees	10,928	11,116	188	1.7%
LGAC Sales Tax (dedicated transfers)	(2,567)	(2,596)	(29)	1.1%
User Taxes and fees	8,361	8,520	159	1.9%
Corporation franchise tax	2,755	2,916	161	5.8%
Corporation and utilities tax	654	729	75	11.5%
Insurance taxes	1,086	1,171	85	7.8%
Bank tax	1,061	679	(382)	-36.0%
Petroleum business tax	0	0	0	--
Business taxes	5,556	5,495	(61)	-1.1%
Estate tax	1,163	958	(205)	-17.6%
Real estate transfer tax	701	375	(326)	-46.5%
Gift tax	2	0	(2)	-100.0%
Real property gains tax	0	0	0	--
Pari-mutuel taxes	22	23	1	4.5%
Other taxes	1	1	0	0.0%
Gross Other taxes	1,889	1,357	(532)	-28.2%
Real estate transfer tax (dedicated)	(701)	(375)	326	-46.5%
Other taxes	1,188	982	(206)	-17.3%
Total Taxes	38,301	39,401	1,100	2.9%
Licenses, fees, etc.	1,006	690	(316)	-31.4%
Abandoned property	698	700	2	0.3%
Reimbursements	1,089	172	(917)	-84.2%
Investment income	104	155	51	49.0%
Other transactions	208	1,664	1,456	700.0%
Miscellaneous receipts	3,105	3,381	276	8.9%
Federal grants	45	0	(45)	-100.0%
Total	41,451	42,782	1,331	3.2%

**Unaudited Year-end Results*

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,754	3,520	286	6,560
Receipts:				
Taxes	38,301	7,780	12,241	58,322
Miscellaneous receipts	3,105	12,911	845	16,861
Federal grants	45	0	0	45
Total receipts	41,451	20,691	13,086	75,228
Disbursements:				
Grants to local governments	37,040	16,944	0	53,984
State operations:				
Personal Service	6,168	4,161	0	10,329
Non-Personal Service	2,144	2,725	56	4,925
General State charges	3,084	1,307	0	4,391
Debt service	0	0	4,530	4,530
Capital projects	0	9	0	9
Total disbursements	48,436	25,146	4,586	78,168
Other financing sources (uses):				
Transfers from other funds	12,350	4,562	5,976	22,888
Transfers to other funds	(6,171)	(1,156)	(14,464)	(21,791)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	6,179	3,406	(8,488)	1,097
Change in fund balance:	(806)	(1,049)	12	(1,843)
Deposit to/(use of) Community Projects Fund	(195)			
Deposit to/(use of) Prior Year Reserves	(562)			
Deposit to/(use of) Debt Reduction Reserve	(49)			
Closing fund balance	1,948	2,471	298	4,717

**Unaudited Year-end Results*

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	1,948	2,471	298	4,717
Receipts:				
Taxes	39,401	7,076	12,082	58,559
Miscellaneous receipts	3,381	14,076	830	18,287
Federal grants	0	1	0	1
Total receipts	42,782	21,153	12,912	76,847
Disbursements:				
Grants to local governments	37,086	16,199	0	53,285
State operations:				
Personal Service	6,465	4,005	0	10,470
Non-Personal Service	2,194	2,888	75	5,157
General State charges	3,704	980	0	4,684
Debt service	0	0	5,143	5,143
Capital projects	0	3	0	3
Total disbursements	49,449	24,075	5,218	78,742
Other financing sources (uses):				
Transfers from other funds	11,556	3,769	6,520	21,845
Transfers to other funds	(5,459)	(1,287)	(14,223)	(20,969)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	6,097	2,482	(7,703)	876
Deposit to/(use of) Community Projects Fund	(67)	0	0	(67)
Deposit to/(use of) Prior Year Reserves	(503)	0	0	(503)
Change in fund balance	0	(440)	(9)	(449)
Closing fund balance	1,378	2,031	289	3,698

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,031	289	2,320
Receipts:				
Taxes	42,218	7,098	12,945	62,261
Miscellaneous receipts	3,022	14,069	820	17,911
Federal grants	0	1	0	1
Total receipts	45,240	21,168	13,765	80,173
Disbursements:				
Grants to local governments	39,664	15,985	0	55,649
State operations:				
Personal Service	6,621	4,167	0	10,788
Non-Personal Service	2,304	2,953	75	5,332
General State charges	4,042	1,039	0	5,081
Debt service	0	0	5,791	5,791
Capital projects	0	2	0	2
Total disbursements	52,631	24,146	5,866	82,643
Other financing sources (uses):				
Transfers from other funds	11,656	3,874	6,830	22,360
Transfers to other funds	(6,391)	(1,076)	(14,737)	(22,204)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	5,265	2,798	(7,907)	156
Deposit to/(use of) Community Projects Fund	55	0	0	55
Change in fund balance	(2,181)	(180)	(8)	(2,369)
Closing fund balance	(2,181)	1,851	281	(49)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	1,851	281	2,132
Receipts:				
Taxes	43,580	7,342	13,468	64,390
Miscellaneous receipts	3,017	15,054	839	18,910
Federal grants	0	1	0	1
Total receipts	46,597	22,397	14,307	83,301
Disbursements:				
Grants to local governments	46,467	17,061	0	63,528
State operations:				
Personal Service	6,801	4,551	0	11,352
Non-Personal Service	2,374	2,976	75	5,425
General State charges	4,344	1,239	0	5,583
Debt service	0	0	6,183	6,183
Capital projects	0	2	0	2
Total disbursements	59,986	25,829	6,258	92,073
Other financing sources (uses):				
Transfers from other funds	11,851	4,534	6,378	22,763
Transfers to other funds	(7,265)	(1,138)	(14,419)	(22,822)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	4,586	3,396	(8,041)	(59)
Deposit to/(use of) Community Projects Fund	(41)	0	0	(41)
Change in fund balance	(8,762)	(36)	8	(8,790)
Closing fund balance	(8,762)	1,815	289	(6,658)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	1,815	289	2,104
Receipts:				
Taxes	43,569	7,580	13,453	64,602
Miscellaneous receipts	3,043	15,101	858	19,002
Federal grants	0	1	0	1
Total receipts	46,612	22,682	14,311	83,605
Disbursements:				
Grants to local governments	50,283	17,345	0	67,628
State operations:				
Personal Service	6,870	4,565	0	11,435
Non-Personal Service	2,442	3,159	75	5,676
General State charges	4,760	1,297	0	6,057
Debt service	0	0	6,549	6,549
Capital projects	0	2	0	2
Total disbursements	64,355	26,368	6,624	97,347
Other financing sources (uses):				
Transfers from other funds	11,597	4,710	6,446	22,753
Transfers to other funds	(7,690)	(967)	(14,138)	(22,795)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	3,907	3,743	(7,692)	(42)
Deposit to/(use of) Community Projects Fund	(92)	0	0	(92)
Change in fund balance	(13,744)	57	(5)	(13,692)
Closing fund balance	(13,744)	1,872	284	(11,588)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,754	3,879	(433)	286	6,486
Receipts:					
Taxes	38,301	7,780	2,015	12,241	60,337
Miscellaneous receipts	3,105	13,089	3,025	845	20,064
Federal grants	45	36,907	1,882	0	38,834
Total receipts	41,451	57,776	6,922	13,086	119,235
Disbursements:					
Grants to local governments	37,040	48,871	1,356	0	87,267
State operations:					
Personal Service	6,168	6,441	0	0	12,609
Non-Personal Service	2,144	4,157	0	56	6,357
General State charges	3,084	2,241	0	0	5,325
Debt service	0	0	0	4,530	4,530
Capital projects	0	9	5,474	0	5,483
Total disbursements	48,436	61,719	6,830	4,586	121,571
Other financing sources (uses):					
Transfers from other funds	12,350	7,308	790	5,976	26,424
Transfers to other funds	(6,171)	(4,397)	(1,413)	(14,464)	(26,445)
Bond and note proceeds	0	0	457	0	457
Net other financing sources (uses)	6,179	2,911	(166)	(8,488)	436
Change in fund balance	(806)	(1,032)	(74)	12	(1,900)
Deposit to/(use of) Community Projects Fund	(195)				
Deposit to/(use of) Prior Year Reserves	(562)				
Deposit to/(use of) Debt Reduction Reserve	(49)				
Closing fund balance	1,948	2,847	(507)	298	4,586

**Unaudited Year-end Results*

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	1,948	2,847	(507)	298	4,586
Receipts:					
Taxes	39,401	7,076	2,088	12,082	60,647
Miscellaneous receipts	3,381	14,234	3,740	830	22,185
Federal grants	0	44,779	2,939	0	47,718
Total receipts	42,782	66,089	8,767	12,912	130,550
Disbursements:					
Grants to local governments	37,086	55,245	860	0	93,191
State operations:					
Personal Service	6,465	6,494	0	0	12,959
Non-Personal Service	2,194	4,683	0	75	6,952
General State charges	3,704	2,011	0	0	5,715
Debt service	0	0	0	5,143	5,143
Capital projects	0	3	7,972	0	7,975
Total disbursements	49,449	68,436	8,832	5,218	131,935
Other financing sources (uses):					
Transfers from other funds	11,556	6,841	785	6,520	25,702
Transfers to other funds	(5,459)	(4,845)	(1,187)	(14,223)	(25,714)
Bond and note proceeds	0	0	532	0	532
Net other financing sources (uses)	6,097	1,996	130	(7,703)	520
Deposit to/(use of) Community Projects Fund	(67)	0	0	0	(67)
Deposit to/(use of) Prior Year Reserves	(503)	0	0	0	(503)
Change in fund balance	0	(351)	65	(9)	(295)
Closing fund balance	1,378	2,496	(442)	289	3,721

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	2,496	(442)	289	2,343
Receipts:					
Taxes	42,218	7,098	2,122	12,945	64,383
Miscellaneous receipts	3,022	14,221	3,590	820	21,653
Federal grants	0	45,448	3,070	0	48,518
Total receipts	45,240	66,767	8,782	13,765	134,554
Disbursements:					
Grants to local governments	39,664	55,844	855	0	96,363
State operations:					
Personal Service	6,621	6,707	0	0	13,328
Non-Personal Service	2,304	4,626	0	75	7,005
General State charges	4,042	2,119	0	0	6,161
Debt service	0	0	0	5,791	5,791
Capital projects	0	2	8,525	0	8,527
Total disbursements	52,631	69,298	9,380	5,866	137,175
Other financing sources (uses):					
Transfers from other funds	11,656	7,136	1,524	6,830	27,146
Transfers to other funds	(6,391)	(4,637)	(1,416)	(14,737)	(27,181)
Bond and note proceeds	0	0	597	0	597
Net other financing sources (uses)	5,265	2,499	705	(7,907)	562
Deposit to/(use of) Community Projects Fund	55	0	0	0	55
Change in fund balance	(2,181)	(32)	107	(8)	(2,114)
Closing fund balance	(2,181)	2,464	(335)	281	229

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,464	(335)	281	2,410
Receipts:					
Taxes	43,580	7,342	2,135	13,468	66,525
Miscellaneous receipts	3,017	15,157	3,561	839	22,574
Federal grants	0	40,426	2,677	0	43,103
Total receipts	46,597	62,925	8,373	14,307	132,202
Disbursements:					
Grants to local governments	46,467	52,440	916	0	99,823
State operations:					
Personal Service	6,801	6,736	0	0	13,537
Non-Personal Service	2,374	4,608	0	75	7,057
General State charges	4,344	2,174	0	0	6,518
Debt service	0	0	0	6,183	6,183
Capital projects	0	2	8,086	0	8,088
Total disbursements	59,986	65,960	9,002	6,258	141,206
Other financing sources (uses):					
Transfers from other funds	11,851	7,323	1,749	6,378	27,301
Transfers to other funds	(7,265)	(4,183)	(1,472)	(14,419)	(27,339)
Bond and note proceeds	0	0	454	0	454
Net other financing sources (uses)	4,586	3,140	731	(8,041)	416
Deposit to/(use of) Community Projects Fund	(41)	0	0	0	(41)
Change in fund balance	(8,762)	105	102	8	(8,547)
Closing fund balance	(8,762)	2,569	(233)	289	(6,137)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,569	(233)	289	2,625
Receipts:					
Taxes	43,569	7,580	2,140	13,453	66,742
Miscellaneous receipts	3,043	15,204	2,860	858	21,965
Federal grants	0	39,954	2,443	0	42,397
Total receipts	46,612	62,738	7,443	14,311	131,104
Disbursements:					
Grants to local governments	50,283	52,267	922	0	103,472
State operations:					
Personal Service	6,870	6,760	0	0	13,630
Non-Personal Service	2,442	4,794	0	75	7,311
General State charges	4,760	2,296	0	0	7,056
Debt service	0	0	0	6,549	6,549
Capital projects	0	2	7,000	0	7,002
Total disbursements	64,355	66,119	7,922	6,624	145,020
Other financing sources (uses):					
Transfers from other funds	11,597	7,589	1,708	6,446	27,340
Transfers to other funds	(7,690)	(4,014)	(1,507)	(14,138)	(27,349)
Bond and note proceeds	0	0	382	0	382
Net other financing sources (uses)	3,907	3,575	583	(7,692)	373
Deposit to/(use of) Community Projects Fund	(92)	0	0	0	(92)
Change in fund balance	(13,744)	194	104	(5)	(13,451)
Closing fund balance	(13,744)	2,763	(129)	284	(10,826)

Source: NYS DOB

CASHFLOW
GENERAL FUND
2009-2010
(dollars in millions)

	2009 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2010 January Projected	February Projected	March Projected	Total
OPENING BALANCE	1,948	2,860	134	111	1,076	1,113	2,777	2,516	762	1,231	5,621	4,827	1,948
RECEIPTS:													
Personal Income Tax	2,983	1,004	2,083	1,987	1,764	2,964	1,236	433	2,105	4,729	1,210	1,906	24,404
User Taxes and Fees	627	643	860	684	678	855	666	657	797	711	571	771	8,520
Business Taxes	10	27	958	96	99	1,145	93	42	1,123	83	126	1,693	5,495
Other Taxes	52	84	86	85	85	85	84	84	84	84	84	85	982
Total Taxes	3,672	1,758	3,987	2,852	2,626	5,049	2,079	1,216	4,109	5,607	1,991	4,455	39,401
Licenses, Fees, etc.	45	70	50	35	60	45	55	50	35	40	70	135	690
Abandoned Property	19	0	16	16	10	52	14	172	38	69	56	238	700
Reimbursements	4	9	23	5	13	20	10	11	24	6	11	36	172
Investment Income	39	7	25	22	0	6	18	15	3	14	0	6	155
Other Transactions	40	45	81	47	57	758	48	37	89	41	36	385	1,664
Total Miscellaneous Receipts	147	131	195	125	140	881	145	285	189	170	173	800	3,381
Federal Grants	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	1,049	256	926	661	312	1,090	616	110	1,024	979	217	890	8,130
Sales Tax in Excess of LGAC Debt Service	178	22	430	202	202	211	199	195	239	212	1	109	2,200
Real Estate Taxes in Excess of CW/CA Debt Service	20	20	0	0	0	0	0	0	0	5	5	7	57
All Other	1	0	187	44	0	70	12	0	133	10	10	702	1,169
Total Transfers from Other Funds	1,248	298	1,543	907	514	1,371	827	305	1,396	1,206	233	1,708	11,556
TOTAL RECEIPTS	5,067	2,187	5,725	3,884	3,280	7,301	3,051	1,806	5,694	6,983	2,397	6,963	54,338
DISBURSEMENTS:													
School Aid	578	2,656	2,017	129	526	1,261	554	982	1,598	288	785	6,645	18,019
Higher Education	28	20	764	84	224	163	368	26	240	47	332	540	2,836
All Other Education	57	150	280	115	117	66	109	94	142	98	153	259	1,640
Medicaid - DOH	974	666	107	793	714	322	543	822	429	433	549	49	6,401
Public Health	55	57	45	62	34	59	61	38	45	111	27	59	653
Mental Hygiene	12	38	366	44	16	506	45	8	453	125	142	393	2,148
Children and Families	27	198	91	278	98	107	91	110	283	71	82	387	1,823
Temporary & Disability Assistance	60	60	361	60	60	287	60	60	(13)	60	3	216	1,274
Transportation	0	16	28	0	16	3	0	19	4	0	10	4	100
All Other	37	38	494	63	56	215	58	53	534	44	43	557	2,192
Total Local Assistance Grants	1,828	3,899	4,553	1,628	1,861	2,989	1,889	2,212	3,715	1,277	2,126	9,109	37,086
Personal Service	735	546	478	641	515	853	437	484	551	455	377	393	6,465
Non-Personal Service	182	186	176	182	190	201	164	159	193	181	192	188	2,194
Total State Operations	917	732	654	823	705	1,054	601	643	744	636	569	581	8,659
General State Charges	409	(24)	168	348	290	999	422	292	82	375	219	124	3,704
Debt Service	617	0	0	13	50	278	16	107	436	12	47	207	1,783
Capital Projects	27	78	127	(113)	102	8	166	46	(1)	75	11	25	551
State Share Medicaid	238	197	197	197	197	197	197	197	197	197	197	154	2,362
Other Purposes	119	31	49	23	38	112	21	63	52	21	22	212	763
Total Transfers to Other Funds	1,001	306	373	120	387	595	400	413	684	305	277	598	5,459
TOTAL DISBURSEMENTS	4,155	4,913	5,748	2,919	3,243	5,637	3,312	3,560	5,225	2,593	3,191	10,412	54,908
Excess/(Deficiency) of Receipts over Disbursements	912	(2,726)	(23)	965	37	1,664	(261)	(1,754)	469	4,390	(794)	(3,449)	(570)
CLOSING BALANCE	2,860	134	111	1,076	1,113	2,777	2,516	762	1,231	5,621	4,827	1,378	1,378

Source: NYS DOB

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

	2008-2009 Year-End*	2009-2010 Enacted	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT					
Agriculture and Markets, Department of	109,631	109,190	122,793	116,827	105,495
Alcoholic Beverage Control	17,022	18,075	18,781	19,114	19,607
Banking Department	78,971	79,009	81,698	80,831	82,212
Consumer Protection Board	3,840	3,096	3,266	3,231	3,321
Economic Development Capital Programs	21,176	18,300	0	0	0
Economic Development, Department of	104,306	106,845	137,389	128,966	89,257
Empire State Development Corporation	620,568	749,723	745,739	733,604	455,754
Energy Research and Development Authority	22,786	29,560	29,798	30,041	30,041
Housing and Community Renewal, Division of	320,605	878,541	441,678	303,489	302,846
Insurance Department	292,668	521,987	540,616	564,639	569,531
Olympic Regional Development Authority	9,503	9,509	7,714	7,924	7,924
Public Service, Department of	78,697	79,427	84,615	87,440	90,004
Science, Technology and Innovation, Foundation for	27,186	26,122	26,674	27,455	27,455
Strategic Investment	3,195	9,000	14,000	10,376	5,000
Functional Total	1,710,154	2,638,384	2,254,761	2,113,937	1,788,447
PARKS AND THE ENVIRONMENT					
Adirondack Park Agency	5,510	5,567	5,738	5,741	5,743
Environmental Conservation, Department of	878,910	1,151,980	1,165,955	917,116	908,565
Environmental Facilities Corporation	14,758	9,967	10,246	10,428	10,612
Hudson River Park Trust	14,290	21,392	10,000	0	0
Parks, Recreation and Historic Preservation, Office of	337,061	312,021	260,581	247,962	249,580
Functional Total	1,250,529	1,500,927	1,452,520	1,181,247	1,174,500
TRANSPORTATION					
Motor Vehicles, Department of	318,270	325,285	340,192	350,227	353,770
Thruway Authority	1,419	1,804	1,876	1,951	2,029
Metropolitan Transportation Authority	160,000	195,300	206,500	194,500	183,600
Transportation, Department of	6,498,414	6,810,399	7,347,377	7,081,440	6,855,123
Functional Total	6,978,103	7,332,788	7,895,945	7,628,118	7,394,522
HEALTH AND SOCIAL WELFARE					
Aging, Office for the	239,660	227,132	230,296	229,686	229,686
Children and Family Services, Office of	3,143,806	3,327,059	3,466,221	3,570,622	3,722,697
OCFS	3,097,973	3,256,215	3,349,535	3,432,267	3,580,011
OCFS - Medicaid	45,833	70,844	116,686	138,355	142,686
Health, Department of	38,097,712	41,689,321	44,116,173	47,156,679	48,176,383
Medical Assistance	32,427,350	36,017,967	38,410,425	41,261,545	42,420,513
Medicaid Administration	900,664	915,500	959,500	1,003,750	1,049,750
Public Health	4,769,698	4,755,854	4,746,248	4,891,384	4,706,120
Health - Medicaid Assistance	0	0	0	0	0
Human Rights, Division of	19,043	22,579	21,103	21,159	21,351
Labor, Department of	581,613	917,791	736,053	629,520	620,267
Medicaid Inspector General, Office of	61,224	80,022	82,520	85,937	85,937
Prevention of Domestic Violence, Office for	2,482	2,374	2,311	2,323	2,344
Stem Cell and Innovation	7,797	46,321	71,500	50,000	167,826

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

	2008-2009 Year-End*	2009-2010 Enacted	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected
HEALTH AND SOCIAL WELFARE (Continued)					
Temporary and Disability Assistance, Office of	5,084,635	5,146,806	5,045,459	5,120,793	5,132,029
Welfare Assistance	3,339,685	3,707,723	3,593,383	3,694,344	3,696,450
Welfare Administration	361,065	56,433	55,041	55,041	55,041
All Other	1,383,885	1,382,650	1,397,035	1,371,408	1,380,538
Welfare Inspector General, Office of	1,180	1,403	1,432	1,456	1,472
Workers' Compensation Board	205,090	209,201	193,424	197,598	202,483
Functional Total	47,444,242	51,670,009	53,966,492	57,065,773	58,362,475
MENTAL HEALTH					
Mental Health, Office of	3,084,590	3,246,186	3,515,210	3,697,727	3,817,148
OMH	1,423,983	1,496,517	1,649,787	1,776,465	1,822,807
OMH - Medicaid	1,660,607	1,749,669	1,865,423	1,921,262	1,994,341
Mental Hygiene, Department of	308,318	1,570	1,997	1,484	1,484
Mental Retardation and Developmental Disabilities, Office of	4,183,851	4,220,703	4,443,119	4,607,926	4,795,837
OMRDD	559,080	544,435	551,643	569,908	593,245
OMRDD - Medicaid	3,624,771	3,676,268	3,891,476	4,038,018	4,202,592
Alcoholism and Substance Abuse Services, Office of	584,954	647,810	686,399	760,870	796,435
OASAS	484,789	545,856	579,021	650,770	684,794
OASAS - Medicaid	100,165	101,954	107,378	110,100	111,641
Developmental Disabilities Planning Council	4,915	4,200	4,200	4,200	4,200
Quality of Care for the Mentally Disabled, Commission on	15,207	16,676	18,319	18,404	18,612
Functional Total	8,181,835	8,137,145	8,669,244	9,090,611	9,433,716
PUBLIC PROTECTION					
Capital Defenders Office	370	0	0	0	0
Correction, Commission of	2,687	2,658	2,785	2,814	2,848
Correctional Services, Department of	2,699,307	2,672,125	2,698,627	2,724,797	2,763,547
Crime Victims Board	65,521	69,822	65,216	65,318	65,511
Criminal Justice Services, Division of	295,559	273,675	269,244	253,587	233,034
Homeland Security	108,459	362,166	285,458	551,984	549,093
Investigation, Temporary State Commission of	3,554	0	0	0	0
Judicial Commissions	5,288	5,214	5,208	5,311	5,385
Military and Naval Affairs, Division of	234,686	308,508	222,387	188,491	189,502
Parole, Division of	196,590	188,700	191,630	195,984	199,977
Probation and Correctional Alternatives, Division of	79,273	69,144	70,783	76,971	78,506
State Police, Division of	653,750	740,746	736,005	732,627	708,703
Functional Total	4,345,044	4,692,758	4,547,343	4,797,884	4,796,106
EDUCATION					
Arts, Council on the	45,842	49,183	48,729	48,827	48,827
City University of New York	1,071,277	1,716,892	1,502,408	1,549,843	1,583,274
Education, Department of	30,553,372	31,794,871	33,257,387	33,060,194	35,005,696
School Aid	23,164,174	24,722,363	26,154,513	26,122,156	27,923,190
School Aid - Medicaid Assistance	106,331	40,000	80,000	80,000	80,000
STAR Property Tax Relief	4,435,383	3,524,450	3,480,270	3,677,620	3,854,167
Special Education Categorical Programs	1,783,639	2,264,890	2,376,750	2,057,470	2,058,790
All Other	1,063,845	1,243,168	1,165,854	1,122,948	1,089,549
Higher Education Services Corporation	909,663	1,035,721	991,406	991,014	994,546
Higher Education Capital Grants	4,254	67,746	40,000	38,000	0
State University Construction Fund	16,482	19,586	20,992	21,463	21,822
State University of New York	6,484,894	7,098,551	7,596,072	7,705,386	7,775,743
Functional Total	39,085,784	41,782,550	43,456,994	43,414,727	45,429,908

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

	2008-2009 Year-End*	2009-2010 Enacted	2010-2011 Projected	2011-2012 Projected	2012-2013 Projected
GENERAL GOVERNMENT					
Audit and Control, Department of	258,126	263,980	265,052	269,832	274,416
Budget, Division of the	43,813	77,301	84,259	97,199	107,291
Civil Service, Department of	23,744	21,679	22,551	22,763	23,014
Elections, State Board of	97,117	157,241	7,175	7,284	7,426
Employee Relations, Office of	3,694	3,465	3,795	3,833	3,872
Executive Chamber	19,252	17,077	18,023	18,647	18,924
General Services, Office of **	215,793	230,610	224,397	231,139	235,329
Inspector General, Office of	6,446	6,462	6,776	6,852	6,937
Law, Department of	231,205	239,390	240,144	247,122	251,646
Lieutenant Governor, Office of the	133	0	276	1,193	1,208
Lottery, Division of	200,951	188,151	193,807	194,069	194,751
Public Employment Relations Board	3,660	4,270	4,561	4,600	4,648
Public Integrity, Commission on	4,879	4,865	5,017	5,350	5,530
Racing and Wagering Board, State	24,307	21,065	21,802	21,902	22,235
Real Property Services, Office of	58,369	46,269	42,761	43,772	44,359
Regulatory Reform, Governor's Office of	3,438	542	697	697	697
State, Department of	181,137	217,311	205,566	158,531	161,067
Tax Appeals, Division of	3,422	3,025	3,152	3,152	3,152
Taxation and Finance, Department of	372,992	412,154	427,072	427,511	428,627
Technology, Office for	21,364	141,081	149,275	147,592	120,543
Lobbying, Temporary State Commission on	(77)	0	0	0	0
Veterans Affairs, Division of	15,720	17,122	18,000	17,574	17,700
Functional Total	1,789,485	2,073,060	1,944,158	1,930,614	1,933,372
ALL OTHER CATEGORIES					
Legislature	221,729	225,717	220,717	220,717	220,717
Judiciary (excluding fringe benefits)	2,425,844	2,513,026	2,725,941	2,919,326	2,946,710
World Trade Center	48,622	54,119	44,119	34,118	20,000
Local Government Assistance	1,037,389	1,134,517	1,129,524	1,132,764	1,135,888
Long-Term Debt Service	4,537,236	5,218,118	5,865,330	6,257,784	6,623,514
Capital Projects	0	0	0	0	0
General State Charges	2,443,102	3,035,762	3,336,744	3,610,540	4,022,379
Miscellaneous	72,506	(73,262)	(334,318)	(192,762)	(261,662)
Functional Total	10,786,428	12,107,997	12,988,057	13,982,487	14,707,546
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	121,571,604	131,935,618	137,175,514	141,205,398	145,020,592

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

**Unaudited Year-end Results*

*** To facilitate comparability, the new Office of Procurement Services is reflected within the amounts shown for the Office of General Services.*

Source: NYS DOB

GAAP-Basis Financial Plans/GASB Statement 45

The State Budget is statutorily required to be balanced on a cash basis, which is DOB's primary focus in preparing and implementing the State Financial Plan. State Finance Law also requires the Financial Plan be presented for informational purposes on a GAAP basis, in accordance with standards and regulations set forth by GASB. Thus, the GAAP projections provided herein are intended to supplement, for informational purposes, the cash-basis Financial Plan. The GAAP-basis plans model the accounting principles applied by OSC in preparation of the 2007-08 Financial Statements. OSC will issue the 2008-09 GAAP-basis Financial Statements in July 2009.

In 2009-10, the General Fund GAAP Financial Plan shows total revenues of $46.5 billion, total expenditures of $54.6 billion, and net other financing sources of $8.7 billion, resulting in an operating surplus of $561 million. These results reflect the impact of the Enacted Budget gap-closing actions.

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

The State used an independent actuarial consulting firm to calculate retiree health care liabilities. The analysis calculated the present value of the actuarial accrued total liability for benefits as of March 31, 2008 at $49.9 billion ($41.4 billion for the State and $8.5 billion for SUNY), using the level percentage of projected payroll approach under the Frozen Entry Age actuarial cost method. The actuarial accrued liability was calculated using a 4.2 percent annual discount rate. DOB expects the present value of the actuarial accrued total liability for benefits as of March 31, 2009 for the State, including SUNY, may increase by as much as $9 billion.

This liability was disclosed in the 2007-08 basic GAAP financial statements issued by the State Comptroller in July 2008. GASB rules indicate the liability may be amortized over a 30-year period; therefore, only the annual amortized liability above the current PAYGO costs is recognized in the financial statements. The 2007-08 liability totaled $3.8 billion ($3.1 billion for the State and $0.7 billion for SUNY) under the Frozen Entry Age actuarial cost method amortized based on a level percent of salary, or roughly $2.7 billion ($2.1 billion for the State and $0.6 billion for SUNY) above the current PAYGO retiree costs. This difference between the State's PAYGO costs and the actuarially determined required annual contribution under GASBS 45 reduced the State's currently positive net asset condition at the end of 2007-08 by $2.7 billion.

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

HISTORY AND FORECAST OF NEW YORK STATE EMPLOYEE HEALTH INSURANCE
(millions of dollars)

	Health Insurance		
Year	Active Employees	Retirees	Total State
1999-00	777	466	1,243
2000-01	876	521	1,397
2001-02	937	565	1,502
2002-03	1,023	634	1,657
2003-04	1,072	729	1,801
2004-05	1,216	838	2,054
2005-06	1,331	885	2,216
2006-07	1,518	913	2,431
2007-08	1,390	1,182	2,572
2008-09*	1,639	1,068	2,707
2009-10*	1,712	1,123	2,835
2010-11*	1,906	1,247	3,153
2011-12*	2,056	1,348	3,404
2012-13*	2,217	1,456	3,673

All numbers reflect the cost of Health Insurance for General State Charges (Executive and Legislative branches); actuals through 2007-08.

** Estimated.*

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

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DOB's detailed GAAP Financial Plan for 2009-10 is provided below.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	40,058	7,081	2,088	12,094	61,321
Public Health/Patient fees	0	3,881	0	473	4,354
Miscellaneous revenues	6,426	1,541	261	26	8,254
Federal grants	0	47,140	2,939	0	50,079
Total revenues	46,484	59,643	5,288	12,593	124,008
Expenditures:					
Grants to local governments	38,494	55,895	858	0	95,247
State operations	12,201	2,173	0	75	14,449
General State charges	3,932	363	0	0	4,295
Debt service	0	2	0	4,159	4,161
Capital projects	1	0	8,675	0	8,676
Total expenditures	54,628	58,433	9,533	4,234	126,828
Other financing sources (uses):					
Transfers from other funds	14,942	2,468	755	6,520	24,685
Transfers to other funds	(6,552)	(3,865)	(1,187)	(14,873)	(26,477)
Proceeds of general obligation bonds	0	0	532	0	532
Proceeds from financing arrangements/ advance refundings	315	0	4,031	0	4,346
Net other financing sources (uses)	8,705	(1,397)	4,131	(8,353)	3,086
Operating Surplus/(Deficit)	561	(187)	(114)	6	266

Source: NYS DOB

Special Considerations

Complex political, social, environmental and economic forces influence the State's economy and finances, many of which are outside the ability of the State to control. These include, but are not limited to, the performance of the national and State economies; the impact of continuing write-downs and other costs affecting the profitability of the financial services sector, and the concomitant effect on bonus income and capital gains realizations; the impact of calendar year 2008 wage and bonus activity on the State tax settlement in fiscal year 2009-10; access to the capital markets in light of the disruption in the municipal bond market; litigation against the State, including challenges to certain tax actions and other actions authorized in the Enacted Budget; and actions taken by the Federal government, including audits, disallowances, and changes in aid levels. Such forces may affect the State Financial Plan unpredictably from fiscal year to fiscal year.

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

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

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

An additional risk to the State Financial Plan arises from the potential impact of certain litigation and of federal disallowances now pending against the State, which could adversely affect the State's projections of receipts and disbursements. The State Financial Plan assumes no significant litigation or federal disallowances or other federal actions that could affect State finances. For more information on litigation pending against the State, see the section entitled "Litigation" in this AIS.

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

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

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

Risks to the Economic Forecast

DOB's outlook calls for an end to the current recession sometime in the third quarter of calendar year 2009, making it the longest since the Great Depression. However, there are a number of risks to the forecast. The large economic stimulus package passed by Congress in February and a Federal Reserve interest rate target of near zero, along with its massive injections of liquidity into the financial system, are expected to contribute to positive, albeit low growth in real U.S. GDP by the third quarter of 2009. However, the response of the economy to this stimulus depends in part on the normal functioning of credit markets. Further delay in the return of normalcy to markets could in turn delay the onset of the recovery. A weaker labor market than projected could result in even lower incomes and weaker household spending than projected. The global economy could contract further than anticipated, further depressing demand for U.S. exports and putting additional downward pressure on corporate earnings. Improving equity prices as markets look beyond the current crisis have been a recent bright spot, but slower corporate earnings growth than expected could further depress equity markets, delaying their recovery and that of Wall Street. On the other hand, a stronger response to the stimulus package, higher equity prices, or stronger global growth than anticipated could result in stronger economic growth than is reflected in the forecast.

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, financial market uncertainty poses a particularly large degree of risk for New York. Lower levels of financial market activity than anticipated could result in a further delay in the recovery of Wall Street profits and bonuses. A more severe national recession than expected could prolong the State's downturn, producing weaker employment and wage growth than projected. Weaker equity and real estate activity than anticipated could negatively affect household spending and taxable capital gains realizations. These effects could ripple though the economy, further depressing both employment and wage growth. In contrast, should the national and world economies grow faster than expected, a stronger upturn in stock prices, along with even stronger activity in mergers and acquisitions and other Wall Street activities, could result in higher wage and bonuses growth than projected.

State Cash Flow Projections

DOB currently projects that each month of the 2009-10 fiscal year will end with a positive cash balance in the General Fund. However, the General Fund's 2009-10 opening cash position of $1.9 billion was lower than in recent fiscal years and DOB expects extremely tight operating margins, including periodic negative balances in the General Fund, especially in the first quarter of the fiscal year, before the benefit of approved actions in the Enacted Budget are fully realized. The June 2009 closing balance of $111 million is the lowest projected for the fiscal year, based on the current forecast. DOB projects cash balances of $2.8 billion by September 30, 2009, $1.2 billion by December 30, 2009, and $1.4 billion by March 31, 2010. The settlement of tax liabilities for calendar year 2008, which primarily takes place in April and May 2009, has the potential to significantly alter the cash flow position of the State. DOB and the Department of Taxation and Finance are monitoring collections and refund activity closely.

The Enacted Budget authorizes the General Fund to borrow resources temporarily from other funds for a period not to exceed four months. In addition, under existing law, the General Fund is authorized to use resources in the State's Tax Stabilization Reserve for cash flow purposes, but is required to repay the amounts in full by the close of the fiscal year. Technical legislation approved in the Enacted Budget expands this authorization to include funds available in the Rainy Day Reserve and Contingency Reserve.

State Workforce Reductions

On March 24, 2009, the Executive announced that it would implement a WRP. DOB expects that the WRP will result in a State workforce reduction equivalent to approximately 8,700 employees, and will generate savings of approximately $160 million in 2009-10 growing to over $300 million in 2010-11. On April 7, 2009, DOB directed all State agencies to prepare WRPs to be submitted to DOB by April 21, 2009. The State workforce subject to Executive control finished 2008-09 at 136,490 positions compared to the Executive Budget estimate of 137,745, a decline of 1,255. In 2009-10, this portion of the workforce is expected to be reduced to 128,803 positions, a reduction of 7,687. DOB's plans to reflect the impact of the approved plans in the First Quarterly Update to the Financial Plan. There can be no assurance that the WRP will achieve the level of savings projected in the Financial Plan.

Labor Settlements

The State has reached labor settlements with several labor unions, CSEA, PEF, UUP, District Council 37, and the Police Benevolent Association. Under terms of these four-year contracts, which run from April 1, 2007 through April 1, 2011 (July 2, 2007 through July 1, 2011 for UUP), employees will receive pay increases of 3 percent annually in 2007-08 through 2010-11 and 4 percent in 2011-12. Pursuant to the Governor's directive, most non-unionized "management/confidential" will not receive the planned general salary increase, merit awards, longevity payments, and performance advances in 2009-10.

Other unions representing uniformed correctional officers, graduate students, and security/park police have not reached settlements with the State at this time. DOB estimates that if all the unsettled unions were to agree to the same terms that have been ratified by other unions, it would result in added costs of approximately $400 million in 2009-10, assuming a retroactive component for fiscal years 2007-08 and 2008-09, and approximately $275 million in both 2010-11 and 2011-12. The Enacted Budget for 2009-10 assumes spending related to these settlements. There can be no assurance that actual settlements will not exceed the amounts included in the Plan. In addition, no reserve has been set aside for potential pay raises for judges.

School Supportive Health Services

The OIG of the United States Department of Health and Human Services has conducted six audits of aspects of New York State's School Supportive Health Services program with regard to Medicaid reimbursement. The audits cover $1.4 billion in claims submitted between 1990 and 2001. To date, OIG has issued four final audit reports, which cover claims submitted by upstate and New York City school districts for speech pathology and transportation services. The final audits recommend that the CMS disallow $173 million of the $362 million in claims for upstate speech pathology services, $17 million of $72 million for upstate transportation services, $436 million of the $551 million in claims submitted for

New York City speech pathology services, and $96 million of the $123 million for New York City transportation services. New York State disagrees with the audit findings on several grounds and has requested that they be withdrawn. If the recommended disallowances are not withdrawn, the State expects to appeal.

While CMS has not taken any action with regard to the disallowances recommended by OIG, CMS is deferring 25 percent of New York City claims and 9.7 percent of claims submitted by the rest of the State, pending completion of the audits.

Proposed Federal Rule on Medicaid Funding

On May 25, 2007, CMS issued a final rule that, if implemented, would significantly curtail Federal Medicaid funding to public hospitals (including New York City's HHC) and programs operated by both OMRDD and OMH. The rule seeks to restrict State access to Federal Medicaid resources by changing the upper payment limit for certain rates to actual facility reported costs. It is estimated that this rule could result in a loss of $350 million annually in Federal funds for HHC and potentially larger losses in aid for the State Mental Hygiene System. As part of the Federal ARRA, implementation has been delayed until July 1, 2009.

On May 23, 2007, CMS issued another rule that would eliminate Medicaid funding for GME. The proposed rule clarifies that costs and payments associated with GME programs are not expenditures of Medicaid for which Federal reimbursement is available. This rule could result in a Financial Plan impact of up to $600 million since the State would be legally obligated to pay the lost non-Federal share. As part of the Federal ARRA, implementation has been delayed indefinitely.

On February 22, 2008, CMS issued a change to the rules that regulate State taxation of healthcare entities, effective April 22, 2008. The rule affords CMS flexibility in identifying a "linkage" between provider taxes and Medicaid payments rendering the tax invalid. The State currently uses a substantial amount of provider tax receipts to finance various healthcare programs that serve the State's most vulnerable populations. While the State strongly believes that its imposed taxes are in full compliance, the vagueness of the new rules provides no assurance that these funding streams are adequately protected. On May 6, 2009 CMS extended the delayed implementation through June 30, 2010.

CMS has also issued a rule regarding targeted case management which clarifies the definition of covered services. The final rule was issued on December 4, 2007 and made effective March 3, 2008. The State is currently in the process of litigating this issue and has requested a one-year implementation extension. On May 6, 2009, CMS issued a proposed regulation that would partially rescind the revised definitions of services covered and provide states with the necessary flexibility to ensure beneficiary access to case management services.

Further, CMS has proposed to restrict Medicaid coverage for rehabilitative services and reimbursement for school based health services, which could pose a risk to the Financial Plan and result in hundreds of millions of dollars in reduced Federal-share funding. As part of the ARRA, implementation of restrictions for rehabilitation services has been delayed indefinitely, while school based health services has been deferred until July 1, 2009. As a result of issues brought forward by states, the school based regulation was rescinded on May 6, 2009.

On all rules, the State is actively lobbying the Federal government to be held harmless, either through an extension/modification of the current moratorium or through other administrative or statutory means. The State is joined by many other states in challenging the adoption on the basis that CMS is overstepping its authority and ignoring Congressional intent.

New York City Personal Care Audit

The OIG of the United States Department of Health and Human Services released a September 2008 draft audit with regard to Medicaid reimbursement for personal care services in New York City. The draft audit reviewed claims for the period July 1, 2004 through December 31, 2006. Based upon their review, the OIG is calling for the State to repay an estimated $815 million in Federal Medicaid because payments were not supported with required medical exams and social and nursing assessments. Both New York City and DOH disagree with these findings and have since conducted their own claims review. On February 10, 2009, DOH submitted its formal response to OIG contesting the audit findings. To date, OIG has shared no additional comments.

Bond Market Issues

Current projections reflect that the level of State-supported debt outstanding and debt service costs will continue to remain below the limits imposed by the Debt Reform Act of 2000 through 2011-12. However, the State has entered into a period of significantly declining debt capacity. Based on the most recent personal income and debt outstanding forecasts, the State is now expected to exceed the debt outstanding cap in 2012-13 by approximately $300 million. The State expects to propose actions in the 2010-11 Executive Budget in order to stay within the statutory limitations.

Other Financial Plan Risks

The Financial Plan forecast also contains specific transaction risks and other uncertainties including, but not limited to, the development of new VLT facilities; the receipt of certain payments from public authorities; the receipt of miscellaneous revenues at the levels expected in the Financial Plan; the enforcement of certain tax regulations on Native American reservations; the timing and value of proceeds from the sale of Wellpoint stock expected to finance certain health care spending; and the achievement of cost-saving measures, including, but not limited to, administrative savings in State agencies through the WRP and the transfer of available fund balances to the General Fund, at the levels currently projected. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Financial Plan.

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

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Appendix C

Schedule of Revenues, Expenses and Changes in Net Assets[1]
For the Years Ended June 30, 2005 through June 30, 2009
(in thousands)

	2005	2006	2007	2008	Preliminary 2009[2]
Operating revenues					
Tuition and fees	$1,174,057	$1,200,791	$1,244,601	$1,284,276	$1,407,900
Less scholarship allowances	(313,254)	(321,242)	(327,064)	(332,201)	(377,702)
Net tuition and fees	860,803	879,549	917,537	952,075	1,030,198
Federal grants and contracts	794,131	798,086	809,788	639,998	637,222
State and local grants and contracts	317,081	304,500	342,183	107,808	218,850
Private grants and contracts	203,235	239,006	269,842	275,416	312,078
Hospitals and clinics	1,288,686	1,430,623	1,621,458	1,595,895	1,723,164
Sales and services of auxiliary enterprises	670,423	722,952	772,808	833,887	893,578
Less scholarship allowances	(82,191)	(86,011)	(92,955)	(102,974)	(113,278)
Net auxiliary enterprises	588,232	636,941	679,853	730,913	780,300
Other sources	94,709	92,785	107,716	100,553	103,572
Total operating revenues	$4,146,877	$4,381,490	$4,748,377	$4,402,658	$4,805,384
Operating expenses					
Instruction	$1,516,929	$1,619,085	$1,911,300	$1,974,050	$2,044,597
Research	516,129	542,157	597,301	567,944	687,724
Public service	234,232	250,352	274,166	298,233	298,122
Academic support	314,910	340,411	387,427	420,120	433,336
Student services	197,305	204,401	237,152	257,000	263,481
Institutional support	617,739	671,590	792,914	835,074	808,493
Operations and maintenance of plant	443,526	514,540	588,256	631,140	578,467
Scholarships and fellowships	99,775	98,789	110,738	119,123	125,965
Hospitals and clinics	1,420,504	1,497,997	1,723,773	1,822,506	2,082,902
Auxiliary enterprises:					
Residence halls	229,378	243,857	261,387	309,746	308,703
Food service	166,258	178,900	190,711	206,567	215,741
Other	190,533	202,742	229,555	241,589	250,718
Depreciation and amortization expense	296,003	320,454	380,081	375,738	400,494
Other operating expenses	6,764	4,372	11,369	7,547	6,358
Total operating expenses	6,249,985	6,689,647	7,696,130	8,066,377	8,505,101
Operating loss	$(2,103,108)	$(2,308,157)	$(2,947,753)	$(3,663,719)	$(3,699,717)
Non-operating and other revenues (expenses)					
State appropriations:					
Operations	$1,695,228	$2,078,094	$2,283,546	$2,515,293	$2,636,028
Debt service	380,347	380,733	626,599	455,427	426,887
Federal and state financial aid grants	-	-	-	349,944	386,176
Investment income (net of investment fees)	55,011	78,569	128,386	132,418	61,227
Net realized and unrealized gains (losses)	83,487	108,841	233,937	(35,418)	(389,287)
Gifts	51,334	86,985	47,567	99,306	70,529
Interest expense on capital related debt	(257,547)	(262,373)	(266,086)	(306,472)	(293,196)
Transfer to state university campus foundations	-	-	-	-	(287,563)
Capital appropriations, gifts and grants	111,841	82,237	64,196	78,171	52,775
Other non-operating revenues, net	12,814	54,472	15,099	38,965	1,800
Net non-operating and other revenues	$2,132,515	$2,607,558	$3,133,244	$3,327,634	$2,665,376
Change in net assets	$ 29,407	$ 299,401	$ 185,491	$ (336,085)	$(1,034,341)

1. See Appendix C-1, notes to financial schedules for additional information.
2. During 2009, Pell and other federal and state student financial aid revenue amounts were reclassified as non-operating revenue. As a result, the 2008 amounts have been restated to conform to the 2009 presentation

NOTES TO FINANCIAL SCHEDULES

Note I – Classification Structure and Accounting Policies

The accompanying schedule of revenues, expenses, and changes in net assets have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The University reports as a special-purpose government engaged in business-type activities as defined by the GASB. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The Schedules of Revenues, Expenses, and Changes in Net Assets distinguish between operating and non-operating revenues and expenses. The University defines operating activities in the Schedules of Revenues, Expenses, and Changes in Net Assets as those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as non-operating activities. These non-operating activities include the University's operating and capital appropriations from the State, federal appropriations, non-exchange receipts, net investment income, gifts, and interest expense. Certain amounts derived from the financial statements have been combined for the presentation on the Schedules of Revenues, Expenses, and Changes in Net Assets.

During fiscal 2007, the State University adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expenses, the related assets or liabilities and note disclosures in the financial statements. The objective of this statement is to improve the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB expenses over a period that approximates the employee's years of service and provides information about actuarial accrued assets or liabilities associated with OPEB and whether and to what extent funding progress is being made.

Note II – Revenues and Expenses

University expenses include programs supporting the instructional, research, and public service programs at the 29 State-operated campuses, the statutory colleges at Cornell and Alfred Universities, along with the System Administration offices and certain other University-wide programs. Funds supporting these programs are derived from the following: State appropriations, University-generated revenues (such as tuition, fees, room rents, and hospital operations), sponsored programs, the Research Foundation, and the State University Construction Fund. Auxiliary Services Corporation funds (food services and other auxiliary enterprise activities) are also included in the Schedules.

Note III – Functional Expenses

Instruction expenses contain salaries of teaching faculty, teaching and graduate assistants, administration, technicians, clerical and secretarial positions directly supporting the instructional effort, and instructional supplies and equipment. Research expenses include the costs of separately organized research units or separately financed research projects. The public service program includes funds for public workshops and continuing education. Academic support services directly support the primary instruction, research and public service and include libraries, educational communication centers, farms and training ships. Student support services serve the student in such areas as admissions, financial aid, placement and student unions. Institutional support services support all of the campus programs, including System Administration and other services such as data processing, mail, and supply. Operations and maintenance of plant include all necessary expenses for the managing of the University's physical plant. Staff benefits are included in each classification. Scholarship and fellowship programs are currently being funded primarily by the State of New York through the Higher Education Services Corporation (Tuition Assistance Program) and the Federal Government including the Pell Grant, Federal Work Study, and Supplemental Educational Opportunity Grant programs.

Note IV – Hospitals and Clinics

Hospitals and clinics include the costs associated with the teaching hospitals at Stony Brook, the Health Science Center at Brooklyn, the Health Science Center at Syracuse, the Long Island Veterans Home and the clinics associated with the College of Optometry, and the Dental School at the State University of New York at Buffalo.

Note V – Auxiliary Enterprises

This major program area includes programs that are conducted primarily to provide services for students, faculty, and staff. The three programs included in this category are residence halls, food service operations, and other auxiliary enterprises including campus stores, vending operations, laundry and recreational operations, intercollegiate athletics, health services, and parking. Food service revenues are generated from students participating in contract meal service plans offered at the campuses.

Note VI – Campus-related Foundations

As required under the Accounting Standards, the State University campus-related foundations and foundation student housing corporations (all referred to as the "foundations") are included in the State University reporting entity. The combined totals of the foundations are discretely presented on separate pages of the financial statements of the State University in accordance with display requirements prescribed by the Financial Accounting Standards Board "(the FASB"). For the fiscal years ended June 30, 2005 through June 30, 2009, the foundations reported total revenues, total expenses, and ending net assets are as follows:

Financial Statement Classification	2005	2006	2007	2008	Preliminary 2009
Total revenues	$273,117	$340,353	$ 343,823	$ 260,572	$ 371,452
Total expenses	190,731	212,928	208,160	218,686	224,176
Net assets	769,723	897,148	1,032,811	1,074,697	1,221,973

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Appendix D

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SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT

The following is a brief summary of certain provisions of the Agreement. This summary does not purport to be complete and reference is made to the Agreement for full and complete statements of such and all provisions. The headings below are not part of the Agreement but have been added for ease of reference. Defined terms used herein shall have the meaning ascribed to them in Appendix A.

Lease of Facilities

The Authority agrees to lease to the State University, and the State University agrees to take and hire from the Authority, the Leased Property on the term and conditions set forth in the Agreement.

(Section 2.01)

Term of Lease

The Lease Term shall commence on the date on which Bonds of any Series are first issued and delivered by the Authority, and shall terminate on the date on which no Bonds are Outstanding and the State University has satisfied its obligations under the Agreement, unless sooner terminated in accordance with the provisions of the Agreement.

(Section 2.02)

Acquisition of Facility Sites

Unless otherwise agreed by the State University and the Authority, the State University shall obtain as soon as practicable good and marketable title to the land on which each Facility is to be located and the building and improvements thereon, free and clear of all liens, charges and encumbrances except for Permitted Encumbrances.

(Section 2.03)

Availability of Land from State University

(a) The State University ratifies and confirms to the Authority all the Authority's right, title and interest in and to the Leased Property heretofore made available to the Authority as the sites of Facilities, together with such rights in and over other lands adjacent thereto to which the State University may have title, as may be required for temporary use during the period of construction, for ingress and egress to such Facilities and necessary attendant facilities and for the location of utilities and for such other purposes as may be required for the proper and efficient operation and maintenance of such Facilities and necessary attendant facilities.

(b) The State University, pursuant to Section 355(2)(s) of the Education Law of the State, agrees to make available to the Authority the portion of the grounds or real property occupied by a state-operated institution or statutory or contract college required for the site for any Facilities, together with such rights in and over other lands adjacent thereto as may be required for temporary use during the period of construction, for ingress and egress to the Project, and for the location of utilities and for such other purposes as may be required for the proper and efficient operation and maintenance of the Project.

(c) The State University and the Authority agree that the University's rights of reverter in and to the real property and the buildings located thereon held by the Authority by conveyances from the State University of Buffalo, to the extent that such buildings shall be made a part of the Project by the Agreement, shall continue and shall take effect at such time as the liabilities of the Authority incurred by its ownership, operation or financing of the Project, including payment of the principal or redemption price of and interest on the Bonds shall have been fully paid or otherwise discharged as provided by the Resolution.

(Section 2.04)

Net Lease

The Agreement shall be deemed and construed to be a "net lease," and the State University shall pay absolutely net during the Lease Term the Rentals and all other payments required under the Agreement, free of all deductions, without abatement, diminution and set-off.

(Section 2.05)

Construction of Facilities

The Authority, subject to the availability of moneys therefor in the Construction Fund or from appropriations made to it by the State, shall acquire, design, construct, reconstruct, rehabilitate, improve, furnish and equip the Facilities as provided in the Agreement; except that in the case of Defeased Facilities, the Authority shall acquire, design, construct, reconstruct, rehabilitate, improve, furnish and equip the Defeased Facilities as directed by the State University using only those monies that are available for such purpose.

Unless otherwise agreed by the Authority and the State University with respect to a Facility, the Authority shall be responsible for the design, acquisition, construction, reconstruction, rehabilitation, improvement, furnishment and equipment of the Facilities, supervision of construction, acceptance of a completed Facility or part thereof, and all other matters incidental to performance of the duties and powers expressly granted in the Agreement to the Authority in connection with the acquisition, construction, reconstruction, rehabilitation, improvement, furnishment and equipment of the Facilities.

(Section 3.01)

Payment of Rentals

(a) The State University shall pay to the Authority from any moneys legally available to it, including, without limitation, moneys from time to time on deposit in the Dormitory Income Account established by the State University pursuant to the Agreement, State funds appropriated to the State University in the State of New York and unrestricted fund balances of the State University, the following Basic Rent in the amounts and on the dates as follows:

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

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

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

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

The State University shall receive a credit against the payments required to be made pursuant to subparagraphs (i) and (ii) of this Section equal to the amount by which the amount in the Debt Service Fund on the date any such payment is to be made exceeds the amount required pursuant to the Resolution to be on deposit therein.

The State University shall have the option to make from time to time prepayments in part of payments due as aforesaid of Basic Rent, together with interest accrued and to accrue and premium, if any, to be paid on the Bonds, if such prepayment is to be used for the purchase or redemption of such Bonds. The Trustee shall apply such prepayments in such manner consistent with the provisions of the Resolution as may be specified in writing by an Authorized Officer of the State University at the time of making such prepayment.

Subject to the provisions of the Agreement and of the Resolution, the State University shall receive a credit against the amount required to be paid by the State University during a Bond Year pursuant to subparagraph (i) and (ii) of this Section on account of any Sinking Fund Installments if, subsequent to July 1 of any Bond Year, but in no event less than forty-five (45) days prior to the immediately succeeding July 1 on which a Sinking Fund Installment is scheduled to be due, the State University delivers to the Trustee for cancellation one or more Bonds of the Series and maturity to be so redeemed on such July 1. The amount of the credit shall be equal to the principal amount of Bonds so delivered and cancelled.

(b) The State University shall pay to the Authority, as additional rent for the Facilities, the amounts, and on the dates, as follows:

(i) On the date of delivery of Bonds of a Series, the Administrative Expenses, as estimated by an Authorized Officer of the Authority, incurred in connection with the issuance of Bonds of such Series;

(ii) On each December 10, the Annual Administrative Fee;

(iii) The Administrative Expenses of the Authority, the Trustee and each Paying Agent for the Bonds, within thirty (30) days after notice of the amount thereof is given to the State University; provided, however, that the estimated Administrative Expenses paid pursuant to subparagraph (i) of this paragraph (b) shall be applied in reduction of the amount payable pursuant to this subparagraph;

(iv) The amount determined by an Authorized Officer of the Authority as required to be rebated to the Department of the Treasury of the United States of America in excess of the amount available therefore in the Arbitrage Rebate Fund, within five (5) days after notice of the amount thereof is given to the State University;

(v) On the 10^{th} day of each calendar month, the amount certified by the Authority as the estimated amount payable by the Authority (1) in connection with the purchase and remarketing of Option Bonds, (2) the adjustment of the rate at which Variable Interest Rate Bonds bear interest, and (3) to the Providers of Credit Facilities and Liquidity Facilities, in each case that are payable during the next succeeding calendar month; and

(vi) On the 10^{th} day of each calendar month, the amount certified by the Authority as the estimated amount payable by the Authority to the Counterparty to an Interest Rate Exchange Agreement during the next succeeding calendar month, respectively, including but not limited to any fees or charges in connection therewith;

(c) The Authority, for the convenience of the State University, shall furnish the State University not less than thirty (30) days prior to the date on which a payment is due pursuant to this Section, a statement of the amount, purpose and payment date of each payment required to be made pursuant to this Section. The failure to furnish such statement shall not excuse the State University’s failure to pay, when due, the amounts payable pursuant to this Section.

(d) Any Rentals which are not paid by the State University within seven (7) days after the due date thereof shall, from and after said due date, bear interest (to the extent permitted by law) at the highest rate per annum borne by any of the Bonds until paid, time being of the absolute essence of this obligation.

(Section 4.01)

Indemnification of Authority; Limitation on Liability

(a) Both during the term of the Agreement and thereafter, the State University, to the extent, authorized by the New York State Court of Claims Act and to the extent not otherwise prohibited by State law and decisions thereunder, shall hold the Authority and any member, officer and employee of the Authority harmless from and against any and all liability, loss, cost, damage, claim, suit or judgment and any and all costs and expenses including, but not limited to, reasonable counsel fees and disbursements, if assessed by a court of competent jurisdiction, of any and all kinds or nature and however arising, imposed by law, which it or any of them may sustain, be subject to or be caused to incur by reason of any claim, suit or action based upon personal injury, death, or damage to property, whether real, personal or mixed, or upon or arising out of the financing, design, construction, reconstruction, acquisition, rehabilitation, improvement, occupancy, or use of the facilities, pursuant to the Agreement, or upon or arising out of the allegation that an official statement, prospectus, placement memorandum or other offering document prepared in connection with the sale and issuance of obligations contained an untrue or misleading statement of a material fact relating to the State University, the project or the estimated sources and uses of funds, or omitted to state a material fact relating to the State University, the project or the estimated sources and uses of funds necessary in order to make the statements made therein in light of the circumstances under which they were made not misleading; provided, however, that such liability, loss, cost, damage, claim, suit or judgment resulted from the negligence of State University or its employees while acting within the scope of such employees University employment duties, and is not contributed to, caused by or resulted from the intentional wrong doing of the Authority, its members, officers or employees.

(b) The provisions of this Section shall not be deemed to relieve any insurance company which has issued a policy of insurance as may be provided in the Agreement from its obligation to defend or indemnify the State University, the Authority and my other insured named in such policy of insurance in connection with claims, suits or actions covered by such policy.

It is the intention of the parties to the Agreement that any such insurance shall be primary, and shall take precedence over the obligations provided by the State University under the Agreement.

(c) The Authority agrees to give the State University and the Attorney General notice in writing of the institution of each such claim, action, or proceeding covered by the provisions of subdivision (a) of this Section and to consult with the State University and the Attorney General and to obtain the written approval of the State University and the Attorney General, as their respective interest may exist, prior to adjusting, settling or compromising any such claim, action or proceeding.

(d) The Authority and each member, officer or employee shall be entitled to employ separate counsel in any action or proceeding and to participate in the defense thereof; provided, however, that the State University shall be liable for attorneys' fees of separate counsel so retained or any other expenses incurred in connection with its participation in the defense of such action or proceeding, other than the reasonable costs of investigation thereof, unless the State University shall have consented thereto or unless, (i) in the reasonable judgment of the Authority (A) it or any member, officer or employee's interests and the interests of the State University therein are adverse or (B) it or any member, officer or employee may have a defense available to it which is not available to the State University or (ii) the State University does not provide for legal representation.

(e) The State University shall not be liable for the payments pursuant to its obligations provided for in this Section to the Authority, its members, officers and employees, including attorneys' fees of separate counsel retained by the Authority, its members, officers and employees, beyond funds appropriated by the State and available for these purposes and such payments shall not be made from appropriations for the operations of the State University.

(f) The provisions of this Section shall become inoperative with respect to the parties to be held harmless under the Agreement, upon the enactment into law of indemnification protection for said parties equivalent to or pursuant to section 17 of the Public Officers Law.

(Section 4.03)

The Dormitory Income Account

The State University shall cause the Dormitory Income Account to be established and held by the Comptroller of the State. Such account and the moneys therein shall be held for the State University separate and apart from all other funds, moneys and accounts of the State University. If the Comptroller of the State for any reason shall cease to hold such account, the State University shall cause such account and the moneys therein to be held separate and apart from all other funds, moneys and accounts of the State University.

(Section 4.04)

Payments to the Dormitory Income Account

The State University covenants that, from the date on which Bonds are first issued, the State University shall pay to the Dormitory Income Account all rents, fees and charges, as received by the State University, from students or other persons for the use and occupancy of the Project.

The State University shall keep its books and records in such manner that the rents, fees and charges required to be paid to the Dormitory Income Account pursuant to this Section can be ascertained and identified. The State University agrees that such rents, fees and charges: (i) shall be stated separately in billing or shall be allocated by the State University from any other rents, fees or charges imposed; (ii) shall be identified as such rents, fees and charges; and (iii) shall be kept and accounted for separate and apart from any other rents, fees and charges imposed by the State University.

(Section 4.05)

Pledge of the Dormitory Income Account; Payments from the Dormitory Income Account

(a) Subject only to the provisions of paragraph (b), (c) and (d) of this Section, the rents, fees and charges required to be paid to the Dormitory Income Account and the moneys and assets of such account shall be used only to pay the Rentals required to be paid by the Stale University to the Authority in accordance with the Agreement. The provisions relating to the Dormitory Income Account shall constitute a pledge of and a lien on such rents, fees and charges required to be paid to the Dormitory Income Account as received by the State University and upon the Dormitory Income Account and its assets to the extent of the Agreement.

(b) If, at any time, the amount then on deposit in the Dormitory Income Account shall exceed the amount of Rentals that remain payable during such Bond Year, then in such event the excess may be used to pay the cost of operating, maintaining, repairing and renovating the Project pursuant to the Agreement.

For purposes of determining the amount of Rentals payable pursuant to subparagraphs (iii) and (iv) of paragraph (a) of the Section of the Agreement summarized under the heading “Payment of Rentals” above and subparagraphs (iii), (iv) (v) and (vi) of paragraph (b) of the same Section of the Agreement, the Authority shall estimate the amount of Rentals that are required to be paid pursuant to such paragraphs if the amount cannot be determined at the time of computation.

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

(d) So long as no Event of Default on the part of the State University is occurring under the Agreement, any moneys in the Dormitory Income Account in excess of the Dormitory Income Account Reserve Requirement as of the last day of each Fiscal Year may, upon submission of the Annual Report required by the Agreement, be paid to the State University for any lawful purpose of the State University free of the lien and pledge created pursuant to this Section; provided, however, no payment shall be made from the Dormitory Income Account pursuant to this paragraph (d) unless at the time of, and after giving effect to, such payment, the amount then on deposit in the Dormitory Income Account shall exceed the amount of Rentals that remain payable during the then current Bond Year.

(Section 4.06)

Investment of Dormitory Income Account

Any moneys held by or for the State University in the Dormitory Income Account shall be held in cash or may be invested only in obligations for which the Comptroller of the State is authorized to invest funds held in her custody under the State Finance Law. Interest earned, profits realized and losses suffered by reason of any such investment of such moneys shall be credited or charged, as the case may be, to the Dormitory Income Account.

(Section 4.07)

Records and Accounts; Annual Report

The State University shall keep proper books of records and accounts (separate from all other records and accounts) in which complete and correct entry shall be made of its transactions relating to the Dormitory Income Account, which books and accounts at reasonable hours and subject to the reasonable rules and regulations of the State University shall be subject to the inspection of the Trustee, the Authority or any Holder of Bonds or such Holder's representative duly authorized in writing. Within ninety (90) days after the end of each Fiscal Year of the State University, the State University shall submit to the Authority, the Division of the Budget and the Trustee a report in writing concerning the Dormitory Income Account, which report shall include at least the following: (i) the amount in the Dormitory Income Account at the beginning of such Fiscal Year; (ii) the rents, fees and charges received by the State University from students or other persons for the use and occupancy of the Project and paid to such account; (iii) the income from investment of moneys in such account; (iv) the amount of the Rentals and any other moneys paid during such Fiscal Year to the Authority relating to the Project; (v) the amount, if any, withdrawn by the State University as permitted by provisions of the Agreement summarized in paragraphs (b), (c) and (d) under the heading "Pledge of the Dormitory Income Account; Payments from the Dormitory Income Account" above; and (vi) the balance remaining in such account at the close of such Fiscal Year and whether such balance exceeds or is less than the Dormitory Income Account Reserve Requirement and if an excess exists, the amount to be withdrawn pursuant provisions of the Agreement summarized in paragraphs (d) under the heading "Pledge of the Dormitory Income Account; Payments from the Dormitory Income Account" above subject to the limitation therein. In addition, such report shall contain a statement, in terms sufficient for identification, of the amounts and purposes for which the moneys withdrawn by the State University as permitted by provisions of the Agreement summarized in paragraphs (b) and (c) under the heading "Pledge of the Dormitory Income Account; Payments from the Dormitory Income Account" above have been expended, and the unexpended balance, if any, of such withdrawal. In addition, such report shall contain a statement that the State University has no knowledge of any default in the fulfillment of any of the terms, covenants or provisions of the Agreement or, if the State University has knowledge of any such default, a statement thereof. Such report shall also set forth the Defeased Facilities which are subject to the Agreement.

(Section 4.08)

Nature of Obligations of the State University

Except as hereinafter provided in this Section, the obligation of the State University to pay Rentals and to pay all other amounts provided for in the Agreement and to perform its obligations under the Agreement shall be general, legal, valid and binding obligations of the State University, and such Rentals and other amounts shall be payable from any moneys legally available to the State University for such purpose without any rights of set-off, recoupment or counterclaim it might have against the Authority, the Trustee or any other person and whether or not the Facilities are used or occupied by the State University or available for use or occupancy by the State University; provided, however, that the State University shall receive a credit against the Rentals to the extent of the proceeds of any use and occupancy insurance received by the Authority and available for application to the payment of the Rentals. If the State University shall have paid all amounts required by the Agreement and continues to pay the same when due, it shall not be precluded from bringing any action it may otherwise have against the Authority; provided, however, that the State University shall not, as a result of its failure to pay any Administrative Expenses or Annual Administrative Fee, be precluded from bringing any such action if the amount thereof is disputed or is being contested by the State University in good faith.

The State University covenants that, so long as the State University shall be in possession of the Project under the Agreement, rents, fees and charges charged and collected from students and other persons for use and occupancy of the Project shall be sufficient at all times to maintain the Dormitory Income Account at the Dormitory Income Account Requirement and to pay all other expenses required to be paid by the State University pursuant to the Agreement.

Notwithstanding anything in the Agreement to the contrary, the cost and expense of the performance by the State University of its obligations under the Agreement and the incurrence of any liabilities of the State University under the Agreement, including, without limitation, the payment of all Rentals and all other amounts required to be paid by the State University under the Agreement, shall be deemed executory to the extent of moneys legally available to the State University for such purpose.

The State University will not terminate the Agreement (other than such termination as is provided for under the Agreement) or be excused from performing its obligations under the Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute an eviction or constructive eviction, failure of consideration, failure of title, or frustration of purpose, or any damage to or destruction of the Project, or the taking by eminent domain of title to or the right of temporary use of all or any part of the Project, or the failure of the Authority to perform and observe any agreement or covenant, whether expressed or implied, or any duty, liability or obligation arising out of or in connection with the Agreement.

(Section 4.09)

Nature of Obligations of the Authority

The cost and expense of the performance by the Authority of any of its obligations under the Agreement shall be limited to the availability of the proceeds of Bonds issued for such purposes or from other funds received by the Authority under the Agreement and available for such purposes.

(Section 4.10)

Additional Resolutions; Apportionment of Payments

In the event that there is more than one Resolution and the moneys legally available to the State University, including moneys held in the Dormitory Income Account, are insufficient to make payments to satisfy the State University's obligations to pay the Basic Rent payable on account of Bonds issued pursuant to the Resolutions, the State University shall apportion the available moneys, pro rata, based upon the Basic Rent payable on account of Bonds issued pursuant to each Resolution. Payments of all other Rentals shall also be made, in the event of insufficiencies, on a pro rata basis based on the amount of Rentals payable on account of Bonds issued pursuant to each Resolution, but only after all Basic Rent is paid.

(Section 4.12)

Operation, Maintenance and Repair

During the Lease Term, the State University shall be responsible for, and pay all costs of, operating the Facilities, maintaining the same in good condition, and making all necessary repairs and replacements, interior and exterior, structural and non-structural; provided, however, that the State University shall not be obligated to pay the costs thereof paid by any person (other than the Authority) to whom a Facility has been sublet in accordance with provisions of the Agreement summarized in paragraph (a) under the heading "Remedies" below.

The State University covenants that, so long as the State University shall be in possession of the Project that: (i) it will prepare and implement a budget for each Fiscal Year, which provides adequate funds for the operation and maintenance of the Project in good condition and for the making of all necessary repairs and replacements; (ii) it will prepare and implement a Capital Plan that will provide adequate resources for all necessary repairs and replacements of the Facilities; and (iii) prior to the commencement of each Fiscal Year, it shall provide the Authority with copies of the aforementioned budget and Capital Plan, together with its certification that they are in compliance with the requirements of the Agreement, including, but not limited to, the requirements imposed by clauses (i) and (ii) of this paragraph, and that they have provided adequate resources to maintain the Dormitory Income Account at the Dormitory Income Account Requirement during the Fiscal Year to which the certification relates.

(Section 5.01)

Utilities, Taxes and Governmental Charges

The State University will pay or cause to be paid all charges for water, electricity, light, heat or power, sewage, telephone and other utility service, rendered or supplied upon or in connection with the Facilities during the Lease Term; provided, however, that the State University shall not be obligated to pay the costs thereof paid by any person (other than the Authority) to whom a Facility has been sublet in accordance with provisions of the Agreement summarized in paragraph (a) under the heading "Remedies" below.

In addition, the State University shall (i) pay, or make provision for payment of, all applicable lawful taxes and assessments, including income, profits, property or excise taxes, if any, or other municipal or governmental charges, levied or assessed by any federal, state or any municipal government upon the Authority or the State University with respect to or upon a Facility or any part thereof or upon any payments under the Agreement when the same shall become due; provided, however, that the State University shall not be obligated to pay the costs thereof paid by any person (other than the Authority) to whom a Facility has been sublet in accordance with provisions of the Agreement summarized in paragraph (a) under the heading "Remedies" below; (ii) duly observe and comply with all valid requirements of any governmental authority relative to the Facilities; (iii) not create or suffer to be created any lien or charge upon a Facility or any part thereof, except Permitted Encumbrances, or upon the payments in respect thereof pursuant to the Agreement; and (iv) pay or cause to be discharged or make adequate provision to satisfy and discharge, within sixty (60) days after the same shall come into force, any lien or charge upon the Project or any part thereof, except Permitted Encumbrances, or upon any payments under the Agreement and all lawful claims or demands for labor, materials, supplies or other charges which, if unpaid, might be or become a lien upon any payments under the Agreement; provided, however, that the State University shall not be obligated to pay the costs thereof paid by any person (other than the Authority) to whom a Facility has been sublet in accordance with provisions of the Agreement summarized in paragraph (a) under the heading "Remedies" below.

The Authority shall cooperate fully with the State University in the payment of taxes or assessments and in the handling and conduct of any prospective or pending litigation with respect to the levying of taxes or assessments on a Facility and will, to the extent it may lawfully do so, permit the State University to litigate in any such proceeding in the name and behalf of the Authority.

(Section 5.02)

Additions, Enlargements and Improvements

The State University shall have the right at any time and from time to time during the Lease Term, at its own cost and expense, to make such additions, enlargements, improvements and expansions to, or repairs, reconstruction and restorations of, a Facility, as the State University shall deem necessary or desirable in connection with the use thereof; provided, however, that no addition to or enlargement, improvement, expansion, repair, reconstruction or restoration of, a Facility which requires structural change of the Facility, or which modifies or changes any aspect or feature thereof designed or intended to protect the life or provide for the safety of the occupants of the Facility, shall be made by the State University without the prior written consent of an Authorized Officer of the Authority. All such additions, enlargements, improvements, expansions, repairs, reconstruction and restorations when completed shall be of such character as not to reduce or otherwise adversely affect the value of the Facility or the rental value thereof. The cost of any such additions, enlargements, improvements, expansions, repairs, reconstruction or restorations shall be promptly paid or discharged so that the Facility shall at all times be free of liens for labor and materials supplied thereto other than Permitted Encumbrances. All additions, enlargements, improvements and expansions to, or repairs, reconstruction and restorations of, a Leased Property shall be and become a part of the Leased Property and be the property of the Authority.

(Section 5.03)

Additional Rights of the State University

The Authority agrees that the State University shall have the right, option and privilege of erecting, installing and maintaining at its own cost and expense such standard office partitions, railings, doors, gates, counters, lighting fixtures, towers (together with all necessary guy wires and anchors), gasoline or natural gas storage tanks and pumps, signs and such other equipment in or upon a Facility as may in State University's judgment be necessary for its purposes. It is further understood and agreed that anything erected or installed under the provisions of this Section shall be and remain the personal properly of the State University and shall not become part of the Leased Property, and may be removed, altered or otherwise changed, upon or before the termination of the Agreement.

(Section 5.04)

Insurance

(a) At the times specified in the Agreement the Authority shall, to the extent reasonably obtainable, maintain or caused to be maintained with responsible insurers, approved by an Authorized Officer of the Authority, for the benefit of the Authority and the State University, the following kinds and the following amounts of insurance with respect to each Facility, with such variations as shall reasonably be required to conform to customary insurance practice and approved by an Authorized Officer of the Authority:

(i) Builder's Risk Insurance which will protect against loss or damage resulting from fire and lightning, the standard extended coverage perils, and vandalism and malicious mischief. The limits of liability will on a one hundred per centum (100%) completed value basis be the insurable value for the Facility, including items of labor and materials connected therewith whether in or adjacent to the structure insured and materials in place or to be used as part of the permanent construction. Such insurance shall be maintained until the insurance required by subparagraph (iv) of this Section (a) has been obtained. All such policies required by this subparagraph shall name the Authority and the State University as named insured, as their respective interests may appear, and shall contain standard clauses which provide for the net proceeds of any loss to be made payable directly to the Trustee for deposit to the credit of the Construction Fund with respect to a Facility (other than a Defeased Facility), and with respect to a Defeased Facility, to the credit of the fund or account from which construction of the Defeased Facility is financed;

(ii) Comprehensive Boiler and Machinery Insurance under the customary form of policy in use in the State providing coverage in an amount and with such deductibles, if any, as may be acceptable to an Authorized Officer of the Authority. Such insurance shall be maintained commencing on the date the

Facility is occupied or any object insured thereunder is accepted. All such policies required by this subparagraph shall name the Authority and the State University, as their respective interests may appear, and shall contain standard clauses which provide for the net proceeds of any loss which is $100,000 or less to be made payable directly to the State University and the net proceeds of any loss which is in excess of $100,000 to be made payable directly to the Trustee for deposit to the credit of the Construction Fund with respect to a Facility (other than a Defeased Facility), and with respect to a Defeased Facility, to the credit of the fund or account from which construction of the Defeased Facility is financed;

(iii) Comprehensive General Liability Insurance as broad as the standard coverage form in use in the State which shall not be circumscribed by any endorsements limiting the breadth of coverage which is not approved in writing by an Authorized Officer of the Authority. The policy shall include an endorsement (broad form) for contractual liability and shall name the Authority and the State University as named insureds, as their respective interests may appear. Limits of liability shall not be less than a combined limit of $2,000,000 per occurrence for bodily injury liability and properly damage liability with such deductible amounts per person and in the aggregate as shall be acceptable to an Authorized Officer of the Authority. Such insurance shall be maintained at all times during the Lease Term;

(iv) Property Insurance in an amount not less than eighty per centum (80%) of the full replacement cost of the Facility (meaning replacement cost without allowance for depreciation), exclusive of excavations, foundations and similar property customarily excluded under the standard coverage form in use in the State and providing for protection against loss resulting from fire, lightning, the standard extended coverage insurance perils, vandalism and malicious mischief. All such policies required by this subparagraph shall name the Authority and the State University as named insured, as their respective interest may appear and shall contain standard clauses which provide for the net proceeds of any loss which is $100,000 or less to be made payable directly to the State University and the net proceeds of any loss which is in excess of $100,000 to be made payable directly to the Trustee for deposit to the credit of the Construction Fund or the Debt Service Fund in accordance with the Agreement with respect to a Facility (other than a Defeased Facility), and with respect to a Defeased Facility, to the credit of the fund or account from which construction of the Defeased Facility is financed. Such insurance with respect to any building or improvement shall be maintained at all times after completion of construction thereof;

(v) Use and Occupancy Insurance in an amount agreed to by the parties to the Agreement during such time or times as the use of all or any of the Facilities or any part thereof may be totally or partially interrupted as a result of damage or destruction resulting from perils insured against pursuant to subparagraph (iii) of this Section (a). All such insurance shall be carried for the benefit of the Authority and shall name the Authority as the named insured. Each policy therefor, or contract thereof, shall contain a loss payable clause providing for the proceeds thereof to be payable to the Trustee, and the Rentals due from the State University with respect to the Facilities pursuant to provisions of the Agreement summarized in paragraph (a) under the heading "Payment of Rentals" above shall be reduced by the amount of the payments made to the Trustee from the proceeds of insurance carried pursuant to the foregoing provisions. Such insurance shall be maintained in connection with a Facility at all times during the Lease Term after the Authority shall have re-entered such Facility in accordance with provisions of the Agreement summarized under the headings "Remedies" and "Termination of Agreement by Authority" below; and

(vi) Worker's Compensation and Employers Liability Insurance and each other form of insurance from injuries, sickness, disability or death of employees as the State University may be required by law to provide.

All such policies shall name the Authority and the State University as named insured, as their respective interests may appear.

(b) All insurance policies obtained by the Authority under the Agreement shall be open to inspection by the State University and the Trustee at all reasonable times. A complete description of all such policies shall be furnished annually by the Authority to the State University and the Trustee, and if any change shall be made in any such insurance, a description and notice of such change shall be furnished by the Authority to the State University and the Trustee at the time of such change. If, after consultation with the State University, a loss deductible for insured property perils or liability is selected and incorporated into the Authority's property or liability coverages, the State University shall then be responsible for the amount of the deductible that the Authority shall incur from each loss for insured perils or liability.

(c) Notwithstanding any of the foregoing provisions of this Section, the Authority shall not be required to obtain or maintain any class or type of insurance required by the Agreement for which it is authorized and able to provide and maintain an appropriate substitute self-insurance arrangement under which the State University and the Authority would be fully protected from loss or general public liability arising from its ownership or interest in the Facilities, or under which assurance will be provided that funds will be available to repair, restore, rebuild or replace the Facilities upon damage, loss or destruction thereof. No such arrangement or arrangements shall be substituted for the insurance required to be obtained and maintained pursuant to the foregoing provisions of this Section, unless and until each such arrangement shall have been (i) recommended by an insurance consultant selected by an Authorized Officer of the Authority and (ii) approved by the Superintendent of Insurance of the State.

(d) In lieu of separate policies, the Authority may maintain a single policy, blanket or umbrella policies, or a combination thereof, having the coverage required in the Agreement, in which event it shall deposit with the State University a certificate or certificates of the respective insurers as to the amount of coverage in force upon the Facilities.

(e) The State University by the Agreement assumes all risks that the proceeds of any insurance may be inadequate to repair, reconstruct or restore the Facilities or fully to indemnify the State University or Authority against or to reimburse the State University or the Authority for any loss, liability, claim or judgment arising out of any risk, peril or insurable loss under the insurance required by the Agreement.

(Section 5.05)

Damage or Destruction

The State University agrees to notify the Authority and the Trustee immediately in the case of damage to or destruction of a Facility or any portion thereof in an amount exceeding $100,000 resulting from fire or other casualty. In the event that the amount of any such damage or destruction does not exceed $100,000, the State University will forthwith repair, reconstruct and restore the Facility to substantially the same condition as it existed prior to the event causing such damage or destruction and will apply the net proceeds of any insurance relating such damage received by the State University to the payment or reimbursement of the costs of such repair, reconstruction and restoration. The Authority agrees that the net proceeds of any insurance relating to such damage or destruction, not exceeding $100,000, may be paid directly to the State University.

In the event a Facility or any portion thereof is damaged or destroyed by fire or other casualty and the damage or destruction is estimated to exceed $100,000, then the State University shall within ninety (90) days after such damage or destruction elect one of the following options by written notice of such election to the Authority and the Trustee:

(a) **Repair and Restoration**. The State University may elect to repair, reconstruct, restore and improve the Facility. In such event the State University shall proceed forthwith to repair, reconstruct and restore the Facility to substantially the same condition as it existed prior to the event causing such damage or destruction. So long as the State University is not in default under provisions of the Agreement summarized in paragraph (a) under the heading "Events of Default,'' any net proceeds of insurance relating to such damage or destruction received by the Trustee shall be deposited to the credit of the Construction Fund and be applied to finance the Cost of such repair, reconstruction and restoration, to complete the payment of the Cost of such repair, reconstruction and restoration, in the same manner and upon the same conditions as set forth in the Resolution for the payment of the Cost of the Project from the Construction Fund.

It is further understood and agreed that in the event the State University shall elect to repair, reconstruct and restore the Facility, the State University shall complete the repair, reconstruction and restoration of the Facility, whether or not the net proceeds of insurance received by the State University for such purposes and any moneys permitted to be withdrawn from the Dormitory Income Account therefor are sufficient to pay for the same.

(b) **Prepayment of Rent**. The State University may elect to have the net proceeds of insurance payable as a result of such damage or destruction applied to the prepayment of Rentals under the Agreement. In such event the State University shall, in its notice of election to the Authority and the Trustee, direct that such net proceeds, when and as received, be deposited to the credit of the Debt Service Fund and applied to the redemption of Outstanding Bonds or be held in trust by the Trustee pursuant to the defeasance provisions of the Resolution for the payment of Bonds.

(Section 5.06)

Condemnation

The Agreement and the interest of the State University shall terminate as to a Facility or portion thereof and the Leased Property appertaining thereto condemned or taken by eminent domain when title thereto vests in the party condemning or taking the same (hereinafter referred to as the "termination date"). The State University by the Agreement irrevocably assigns to the Authority all right, title and Interest of the State University in and to any net proceeds of any award, compensation or damages (hereinafter referred to as an "award"), payable in connection with any such condemnation or taking during the Lease Term for any Facility other than a Defeased Facility. Such net proceeds shall be initially paid to the Trustee for deposit and application as hereinafter provided.

In the event of any such condemnation or taking the State University shall within ninety (90) days after the termination date therefor elect one of the following options by written notice of such election to the Authority and the Trustee:

(a) **Repairs and Improvements**. The State University may elect to use the net proceeds of the award made in connection with such condemnation or taking for the repair, reconstruction, restoration and improvement of the Facility. In such event, so long as the State University is not in default under provisions of the Agreement summarized in paragraph (a) under the heading "Events of Default" below, any such net proceeds received by the Trustee shall be deposited to the credit of the Construction Fund and be applied to finance the Cost of such repairs and improvements, to complete the payment of the Cost of such repairs and improvements, in the same manner and upon the same conditions set forth in the Resolution for the payment of the Cost of the Project from the Construction Fund.

(b) **Prepayment of Rent**. The State University may elect to have the net proceeds payable as a result of condemnation applied to the prepayment of Rentals under the Agreement. In such event the State University shall, in its notice of election to the Authority and the Trustee, direct that such net proceeds, when and as received, be deposited to the credit of the Debt Service Fund and applied to the redemption of Outstanding Bonds or be held in trust by the Trustee pursuant to the defeasance provisions of the Resolution for the payment of Bonds.

The Authority shall cooperate with the State University in the handling and conduct of any prospective or pending condemnation proceedings with respect to a Facility or any part thereof and will, to the extent it may lawfully do so, permit the State University to litigate in any such proceeding in the name and behalf of the Authority. In no event will the Authority voluntarily settle, or consent to the settlement of, any prospective or pending condemnation proceedings with respect to a Facility or any part thereof without the written consent of the State University.

(Section 5.07)

Assignment and Sale of Facilities

The State University will not sell, sublease or otherwise dispose of or encumber its interest in a Facility except as provided in provisions of the Agreement summarized under the heading "Subletting" below. The Agreement may be assigned in whole or in part by the State University upon written consent of the Authority (which consent shall not be unreasonably withheld) but no assignment shall relieve the State University from primary liability for any of its obligations under the Agreement, and in the event of any such assignment the State University shall continue to remain primarily liable for the payments specified in the Agreement and for performance and observance of the other agreements on its part provided in the Agreement.

(Section 7.07)

Use of the Facilities

Except as provided in provisions of the Agreement summarized in the following paragraph, the Facilities will be occupied by the State, the State University or any other governmental agency, department, division, commission or board.

(Section 7.08)

Subletting

The State University will not use, rent or sublease space in a Facility, in excess of the space required for its purposes or related purposes, as determined by an Authorized Officer of the State University, if such use, rental or sublease is not authorized or permitted by law, including the Act, or would, in the opinion of Bond Counsel, adversely affect the exclusion of interest on any of the Bonds from gross income for purposes of federal income taxation. No such use, lease or sublease shall have any adverse effect upon the Agreement or affect or reduce the State University's obligations under the Agreement.

The State University will not rent, sublease or otherwise dispose of all or any portion of a Facility if such rental, sublease or disposition would cause the interest on any of the Bonds to be includable in gross income for purposes of federal income taxation.

(Section 7.09)

Covenant not to Affect the Tax Exempt Status of the Bonds

The State University, so long as it leases a Facility under the Agreement, will take no action, or permit any action to be taken, with respect to the Project or any Facility which will impair the exclusion of interest on any Bonds from gross income for purposes of federal income taxation; it will not invest or otherwise use the proceeds of the Bonds in a manner which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148(a) of the Code, and any proposed or final regulations thereunder as are applicable to any Bond; and neither it nor any "related person," as defined in Section 147(a) (2) of the Code, will, pursuant to an arrangement, formal or informal, purchase Bonds in an amount related to the amount of any obligation to be acquired by the Authority from the State University.

(Section 7.11)

Environmental Quality Review and Historic Preservation

The State University will comply with the provisions of Article 8 of the Environmental Conservation Law and the provisions of the Historic Preservation Act of 1980 of the State applicable to the Project, the alteration or expansion of the Facilities or additions thereto. Unless otherwise agreed by the State University and the Authority, the Authority shall assume primary responsibility or lead agency status under such laws and shall take such actions as may be required to be taken by the lead agency or agency with primary responsibility thereunder. The State University and the Authority each agree to cooperate with and provide assistance to the lead agency or the agency with primary responsibility under such laws, including the preparation and provision of such documents as may be reasonably requested of the State University or the Authority as are necessary to enable the lead agency or the agency with primary responsibility to comply with such laws. Except for paying the costs of studies, plans or designs, no money in the Construction Fund shall be spent on a Facility until the provisions of this Section have been complied with.

(Section 7.12)

Events of Default

An "event of default" or a "default" shall mean, whenever they are used in the Agreement, any one or more of the following events:

(a) Failure by the State University to pay or cause to be paid when due the Rentals to be paid under the Agreement;

(b) Failure by the State University to pay or to cause to be paid when due any other payment required to be made under the Agreement, which failure shall continue for a period of thirty (30) days after payment thereof was due;

(c) Failure by the State University to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in paragraphs (a) and (b) of this Section, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the State University by the Authority, unless by reason of the nature of such failure the same can not be remedied within such thirty (30) day period and the State University has within such period commenced to take appropriate actions to remedy such failure and is diligently prosecuting such actions;

(d) Any representation or warranty of the State University contained in the Agreement shall have been at the time it was made or is thereafter untrue in any material respect;

(e) The State University shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the State University seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, Trustee, or other similar official for it for any substantial part of its property; or the State University shall authorize any of the actions set forth above in this paragraph (e); or

(f) An order or decree appointing a receiver of one or more of the Facilities or any part thereof shall be entered with the consent or acquiescence of the State University or such order or decree shall be entered without the acquiescence or consent of the State University if it shall not be vacated, discharged or stayed within ninety (90) days after entry.

(Section 8.01)

Remedies

Whenever any event of default referred to in the Agreement shall have happened and be continuing, any one or more of the following remedial steps may be taken:

(a) The Authority may re-enter and take possession of one or more of the Facilities without terminating the Agreement, and sublease the same for the account of the State University, holding the State University liable for the difference in the rent and other amounts paid by the sublessee in such subleasing and the rents and other amounts required to be paid by the State University under the Agreement;

(b) The Authority may terminate the Lease Term, exclude the State University from possession of one or more of the Facilities and use its best efforts to lease such Facilities for the account of the State University, holding the State University liable for all rent and other amounts due under the Agreement and not paid by such other lessee;

(c) To the extent the same may be permitted by law, the Authority may terminate the Lease Term, exclude the State University from possession of one or more of the Facilities and sell such Facilities, holding the State University liable for all rent and other amounts due under the Agreement and not paid for by such purchaser; or

(d) The Authority may take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the State University under the Agreement.

Any amounts collected pursuant to action taken under this Section shall be applied in proportion to the total principal amount of Bonds then Outstanding in accordance with the provisions of the Resolution, or if the Bonds and all other amounts due under the Agreement have been fully paid (or provision for payment thereof has been made), such amounts shall be paid to the State University.

(Section 8.02)

Reinstatement

Notwithstanding any termination, except with respect to any Facility and Leased Property appertaining thereto for which in accordance with the provisions of the Agreement summarized under the heading "Remedies" above the Authority shall have entered into an agreement providing for the reletting thereof for a period of at least one year, if all arrears of interest on Outstanding Bonds and interest on overdue installments of principal, premium, if any, and (to the extent permitted by law) interest on such Bonds, at a rate per annum equal to the highest rate per annum borne by any of the Outstanding Bonds, and the principal and premium (if any) on all Bonds then Outstanding which have become due and payable otherwise than by reason that the principal amount thereof shall have been declared by the Trustee to be immediately due and payable, and all other sums payable under the Resolution, except the principal of and the interest on such Bonds which by reason of such declaration shall have become due and payable, shall have been paid, all other things shall have been performed in respect of which there was a default and there shall have been paid the reasonable fees and expenses, including Administrative Expenses, of the Trustee and such declaration under the Resolution is annulled, then the State University's default under the Agreement shall be waived without further action by the Trustee or the Authority. Upon such payment and waiver, the Agreement shall be fully reinstated, as if it had never been terminated, and the State University shall be restored to the use, occupancy and possession of the Facilities and Leased Property.

(Section 8.03)

Termination of Agreement by Authority

If, because moneys are not legally available to the State University for such purpose, the State University (i) fails to pay when due the payments to be paid under the Agreement or (ii) fails to observe and perform any covenant or agreement on its part to be observed or performed under the Agreement, the Authority shall have the right to terminate the Agreement.

In order to exercise such right to terminate the Agreement, the Authority shall, at least thirty (30) days prior to the exercise of such right, notify the State University in writing of the exercise of its rights pursuant to this Section, the basis therefor and the date fixed for such termination.

Upon such termination neither the State University nor the Authority shall have any further obligations under the Agreement, except that the State University's obligations under the Agreement pertaining to indemnification and the State University's obligations to pay any amounts then due and owing under the provisions of the Agreement summarized under the heading "Payment of Rentals" above shall survive such termination.

(Section 9.01)

Right to Lease or Sell Project

Except as otherwise provided in the Agreement, upon the exercise of its right to terminate the Agreement, the Authority shall exclude the State University from possession of the Leased Property and the Facilities and use its best efforts to lease the Leased Property and the Facilities to another party or, to the extent permitted by law, sell the Leased Properly and the Facilities.

Any amounts collected pursuant to action taken under this Section shall be applied in accordance with the Resolution.

(Section 9.02)

Reinstatement

Notwithstanding any termination of the Agreement by the Authority in accordance with the provisions of the Agreement relating to termination of the Agreement, except with respect to any Facility and Leased Property appertaining thereto which shall have been sold by the Authority or in connection with which the Authority shall have entered into an agreement providing for the lease of a Facility for a period of at least one year, if all arrears of interest on the then Outstanding Bonds and interest on overdue installments of principal, premium, if any, and (to the extent permitted by law) interest on such Bonds, at a rate per annum equal to the highest rate per annum borne by any of the Bonds, and the principal and premium (if any) on all Bonds then Outstanding which have become due and payable otherwise than by reason that the principal of the Outstanding Bonds shall have been declared by the Trustee to be immediately due and payable, and all other sums payable under the Resolution, except the principal of and the interest on such Bonds which by reason of such declaration shall have become due and payable, shall have been paid, and such declaration under the Resolution is annulled, and if the State University has agreed to pay or provide for the payment of the payments to be paid under the Agreement and if the State University observes or performs or agrees to observe or perform all covenants or agreements on its part to be observed or performed under the Agreement, the Agreement shall be fully reinstated, as if it had never been terminated, and the State University shall be restored to the use, occupancy and possession of the Leased Property and the Facilities.

(Section 9.03)

Operation of Project by the Authority

The State University and the Authority, upon exercise by the Authority of the remedy provided in provisions of the Agreement summarized in paragraphs (a), (b) or (c) under the heading “Remedies” above or upon termination of the Agreement pursuant to provisions of the Agreement summarized under the heading “Termination of Agreement by Authority” above each agree as summarized under the next four headings.

State University as Agent

The Authority by the Agreement appoints the State University as its agent to supervise and conduct the operation, maintenance, repair and replacement of the Project in accordance with the provisions, terms and conditions of the Agreement. The Authority shall pay all costs of operation, maintenance, repair and replacement of the Project. Necessary sub-agents and employees shall be appointed or hired by the Authority on the recommendation of the State University and their wages, salaries or other compensation shall be paid by the Authority. All other expenses of operation, maintenance, repair and replacement incurred by the State University, as agent, shall be paid by the Authority provided the same are in accordance with, and within the amounts set forth in the budget adopted by the Authority.

(Section 10.01)

Termination of Agency Relationship

In the event that the State University shall not operate, maintain, repair and replace the Project, as agent for the Authority, to the satisfaction of the Authority, the Authority may give written notice to the State University setting forth the conditions giving rise to such dissatisfaction and requiring the State University to correct such conditions. If such conditions are not corrected to the satisfaction of the Authority within sixty (60) days after the event of such notice, the Authority thereafter, upon thirty (30) days' written notice to the State University, may terminate the power of the State University to act as agent for the Authority in relation to the Project. Thereafter, the Project shall be directly operated, maintained, repaired and replaced by the Authority.

(Section 10.02)

Covenants as to Fees and Charges

(a) The amounts, time and manner of payment of all rents, charges and fees charged students and other persons relating to the Project, including rentals charged students and other persons for occupancy of rooms in the Project, shall be fixed by the Authority; provided, however, that the amounts, time and manner of payment thereof permit full compliance with the provisions of paragraph (c) of this Section. The State University by the Agreement agrees to collect or cause to be collected such rents, charges and fees as agent of the Authority.

(b) The Authority, upon thirty (30) days notice in writing to the State University, may revise the amount of any rents, charges and fees charged students and other persons relating to the Project. The State University, at any time, shall have the right to consult with the Authority concerning the amounts fixed or to be fixed for such rents, charges and fees.

(c) The rents, charges and fees fixed by the Authority shall be at least sufficient at all times, together with any other moneys available to the Authority: (i) to pay the principal or Sinking Fund Installments of and interest on all Bonds as the same become due; (ii) to pay the costs of operation, maintenance, repair and replacement of the Project; (iii) to maintain the Dormitory Income Account at the Dormitory Income Account Requirement; and (iv) to pay the fees and expenses of the Trustee and the reasonable and proper share of the administrative expenses of the Authority incurred by reason of its ownership, financing and operation of the Project.

(Section 10.03)

Conveyance upon Expiration of Lease Term

When the Lease Term has expired and all of the Bonds, including principal, interest and redemption premium, if any, and all other obligations incurred and to be incurred by the Authority in connection with the Project and the Facilities under the Agreement and under the Resolution have been paid in full or provision has been made for such payment in accordance with the Resolution, the Authority shall transfer, convey, release, assign and set over to the State all of the Authority's right, title and interest in and to the Leased Property and the Facilities by a good and sufficient quit claim deed or such other legal instruments as the Authority and the State University may determine to be necessary or appropriate therefor. The State University shall bear all costs and expenses in connection with the preparation of the documents of conveyance and the delivery thereof and all fees, assessments, taxes and charges payable in connection with the conveyance of title to the Leased Property and the Facilities. Upon conveyance of title and payment therefor as aforesaid, the Agreement shall cease and terminate and all obligations of the State University under the Agreement, except under provisions of the Agreement summarized under the heading "Indemnification of Authority; Limitation on Liability" above pertaining to indemnification and the obligation of the State University to pay any amounts then due and owing under provisions of the Agreement summarized in paragraphs (b) or (d) under the heading "Payment of Rentals" above, shall be terminated and extinguished.

(Section 11.01)

Abandonment, Withdrawal and Sale of Facilities

Notwithstanding any other provisions of the Agreement and so long as no Event of Default on the part of the State University is occurring under the Agreement, the acquisition, design, construction, reconstruction, rehabilitation, improvement or otherwise providing, furnishing and equipping of any Facility or part thereof may be abandoned and any Facility or part thereof may be withdrawn from the Project, with the written consent of the Authority. Prior to any such abandonment or withdrawal, except in the case of a Defeased Facility, the State University shall first deliver to the Authority and the Trustee a certificate or certificates signed by an Authorized Officer of the State University stating that such Facility or part thereof is no longer useful or necessary in the operation of the dormitory program of the State University, and that such abandonment or withdrawal will not adversely affect the State University's ability to meet its obligations under the Agreement.

Any Facility withdrawn from the Project may be sold for such amount and upon such terms as the Authority and the State University may agree. Except in the case of a Defeased Facility, the proceeds of such sale, up to the principal amount of Outstanding Bonds issued in connection with such Facility plus the accrued interest and premium payable thereon, if any, on the first date thereafter on which such Bonds can be redeemed at the election of the Authority remaining after deducting therefrom (i) the costs and expenses incurred in connection with such sale and (ii) the Costs of such Facility and any other expenses, liabilities of and moneys owed to the Authority by reason of its undertaking to provide such Facility, shall be paid to the Authority for deposit to the credit of the Construction Fund or applied to the redemption of Outstanding Bonds issued in connection with such Facility, in accordance with the written direction of an Authorized Officer of the Authority, except that such amount may, with the prior written consent of the Authority and the Director of the Division of Budget, which consents shall not be unreasonably withheld or delayed, be used by the State University for any other purpose unless in the opinion of Bond Counsel such use would adversely affect the exclusion of interest on any of the Bonds from gross income for purposes of federal income taxation. In lieu of paying such proceeds to the Authority for the redemption of Bonds, there may be paid to the Authority an amount sufficient to purchase Defeasance Securities the principal of and interest on which, when due, will provide moneys which, together with the moneys, if any, paid to the Authority at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price and interest due and to become due on an aggregate principal amount of the Bonds issued in connection with such Facility equal to the amount required to be paid to the Authority pursuant to the immediately preceding sentence.

(Section 11.02)

Conveyance upon Withdrawal

Upon the withdrawal of a Facility from the Project, the Authority shall contemporaneously convey to or upon the order of the State University all of the Authority's right, title and interest in and to the Facility and the Leased Property appertaining thereto by a good and sufficient quit claim deed or such other legal instruments as the Authority and the State University may determine to be necessary or appropriate therefor. The State University shall bear all costs and expenses in connection with the preparation of the documents of conveyance and the delivery thereof and all fees, assessments, taxes and charges payable in connection with the conveyance of title to such Facility and Leased Property. Upon conveyance of title and payment therefor as aforesaid, the Agreement shall cease and terminate with respect to such Facility and Leased Property and all obligations of the State University under the Agreement relating thereto, except under provisions of the Agreement summarized under the heading "Indemnification of Authority; Limitation on Liability" above pertaining to indemnification and the obligation of the State University to pay any amounts then due and owing under provisions of the Agreement summarized in paragraphs (b) or (d) under the heading "Payment of Rentals" above, shall be terminated and extinguished.

(Section 11. 03)

Amendments, Changes and Modifications

The Agreement may be amended, changed or modified in any respect or any provision of the Agreement waived; **provided, however**, that no such amendment, change, modification or waiver shall be made other than pursuant to a written instrument signed by the Authority and the State University; **provided, further**, that no amendment, change or modification shall take effect unless and until (i) if the consent of Holders of Outstanding Bonds is required by the Resolution, there shall have been filed with the Trustee the written consents of the Holders of the percentages of Outstanding Bonds specified in the Resolution, (ii) if the consent of the Trustee is required by the Resolution, the Trustee shall have consented thereto and (iii) an executed copy of such amendment, change or modification, certified by an Authorized Officer of the Authority, shall have been filed with the Trustee.

(Section 12.04)

Investment of Moneys

The State University by the Agreement acknowledges that the Authority may in its sole discretion invest or direct the investment of certain moneys held under the Resolution as provided therein and that no representation or warranty has been made by the Authority with respect to interest rates on, or the amount to be earned as a result of, any such investment. Neither the Authority nor the Trustee shall have any liability arising out of or in connection with the making of any investment authorized by the Resolution in the manner provided therein, for any depreciation in value of any investment or for any loss, direct or indirect, resulting from any such investment.

(Section 12.07)

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Appendix E

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a brief summary of certain provisions of the Resolution. This summary does not purport to be complete and reference is made to the Resolution for full and complete statements of such and all provisions. The headings below are not part of the Resolution but have been added for case of reference only. Defined terms used herein shall have the meanings ascribed to them in Appendix A or in the body of this Official Statement.

Resolution and Bonds Constitute a Contract

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

(Section 1.03)

Authorization and Issuance of Bonds

Authorization of Bonds

The Resolution authorizes the issuance of Bonds of the Authority to be designated as “Lease Revenue Bonds (State University Dormitory Facilities Issue)” and it creates a continuing pledge and lien as provided by the Resolution to secure the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on all the Bonds. The Bonds shall be special obligations of the Authority payable and secured solely in the manner more particularly provided in the Resolution. The aggregate principal amount of Bonds which may be executed, authenticated and delivered is not limited except as provided in the Resolution.

The Bonds of the Authority shall not be a debt of the State, nor shall the State be liable thereon, nor shall the Bonds be payable out of any funds other than those of the Authority pledged by the Resolution to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on all of the Bonds.

(Section 2.01)

Provisions for Issuance of Bonds

The issuance of Bonds shall be authorized by a Series Resolution or Series Resolutions. The Authority shall, in addition to other requirements, deliver or cause to be delivered to the Trustee: a copy of the Resolution and the Series Resolution authorizing such Bonds, certified by an Authorized Officer of the Authority; a copy of the Agreement, certified by an Authorized Officer of the Authority; a copy of the Bond Series Certificate executed in connection with such Bonds; a written order as to the delivery of such Bonds, signed by an Authorized Officer of the Authority, describing the Bonds to be delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered and stating the consideration for such Bonds; a certificate of an Authorized Officer of the Authority (x) stating that, as a result of the issuance of such Bonds, the Authority shall not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution and (y) except in the case of Refunding Bonds, stating that the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution; a certificate of an Authorized Officer of the State University (x) stating that, as a result of the issuance of such Bonds, the State University shall not be in default in the performance of any covenants, conditions, agreements or provisions contained in the Agreement and (y) except in the case of Refunding Bonds, stating that the State University is not in default in the performance of any covenants, conditions, agreements or provisions contained in the Agreement; if Bonds of such Series are Book Entry Bonds, unless the Trustee is a party thereto, a copy of the agreement, if any, between the Authority and the Depository for such Bonds; if a Liquidity Facility or Credit Facility is to be provided in connection with the issuance of Bonds of such Series, such Liquidity Facility or Credit Facility; and an opinion of Bond Counsel concerning the validity of the Resolution and the Bonds.

(Section 2.02)

Additional Obligations

The Authority reserves the right to issue bonds, notes or any other obligations pursuant to other and separate resolutions of the Authority, on a parity with the Bonds then Outstanding, entitled to a charge or lien or right equal, but not prior, to the charge or lien created by provisions of the Resolution summarized under the heading “Pledge of Revenues” below or equal, but not prior, to the rights of the Authority and Holders of Bonds provided by the Resolution or with respect to the moneys pledged by provisions of the Resolution summarized under the heading “Pledge of Revenues” below. The Authority also reserves the right to issue bonds, notes or any other obligations pursuant to other and separate resolutions of the Authority, which are secured on a parity basis by payments to be made by the State University pursuant to the Agreement, including payments from moneys held in the Dormitory Income Account.

(Section 2.05)

Redemption of Bonds

Authorization of Redemption

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

(Section 4.01)

Redemption at the Election or Direction of the Authority

In the case of any redemption of Bonds other than as summarized in the following paragraph, Bonds may be redeemed at the election or direction of the Authority as provided in the Series Resolution authorizing the issuance of such Bonds or the Bond Series Certificate relating to such Bonds. In exercising such election or giving such direction, the Authority shall give written notice to the Trustee and each applicable Facility Provider of its election or direction to redeem, of the Series and of the principal amounts of the Bonds of each Sub-Series and maturity of such Series to be redeemed. The Series, Sub-Series, maturities and principal amounts thereof to be redeemed shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in the Resolution or in the Series Resolution authorizing the issuance of such Bonds or the Bond Series Certificate relating to such Bonds. Such notice shall be given to the Trustee and each applicable Facility Provider at least sixty (60) days prior to the date on which such Bonds are to be redeemed, or such lesser number of days as shall be acceptable to the Trustee. The Authority covenants that in the event notice of redemption shall have been given as provided in provisions of the Resolution summarized under the heading “Notice of Redemption” below, it shall, on or prior to the redemption date, pay to the Trustee the amount of moneys which shall equal the Redemption Price of and the interest accrued and to accrue on the Bonds to be so redeemed to the redemption date, less any moneys held by the Trustee and the Paying Agent available therefor, unless the notice of redemption expressly provides that the redemption is conditioned upon money being available on the redemption date for payment of the Redemption Price.

(Section 4.02)

Redemption Other Than at Authority's Election or Direction

Whenever by the terms of the Resolution the Trustee is required to redeem Bonds through the application of mandatory Sinking Fund Installments, the Trustee shall select the Bonds of the Series, Sub-series and maturities to be redeemed in the manner summarized in the following paragraph, give the notice of redemption and pay out of moneys available therefor the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, to the appropriate Paying Agents in accordance with the terms of the Resolution.

(Section 4.03)

Selection of Bonds to Be Redeemed

Unless otherwise provided in the Series Resolution authorizing the issuance of Bonds of a Series or the Bond Series Certificate relating to such Bonds, in the event of redemption of less than all of the Outstanding Bonds of like Series, Such-Series, maturity and tenor, the Trustee shall assign to each Outstanding Bond of the Series, Sub-Series, maturity and tenor to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which the Bonds of such Series are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds of such Series are authorized to be issued for each number, shall equal the principal amount of such Bonds to be redeemed. In making such selections the Trustee may draw the Bonds by lot (i) individually or (ii) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Bonds of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued, by the numbers assigned thereto as summarized herein) which end in the same digit or in the same two digits. In case, upon any drawing by groups, the total principal amount of Bonds drawn shall exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may in its discretion assign numbers to aliquot portions of Bonds and select part of any Bond for redemption. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of each such Bond of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued shall be redeemed as shall equal the lowest denomination in which the Bonds of such Series are authorized to be issued for each number assigned to it and so selected.

(Section 4.04)

Notice of Redemption

Whenever Bonds are to be redeemed, the Trustee shall give notice of the redemption of the Bonds in the name of the Authority which notice shall specify: (i) the Bonds to be redeemed which shall be identified by the designation of the Bonds given in accordance with the Resolution, the maturity dates and interest rates of the Bonds to be redeemed and the date of such Bonds were issued; (ii) the numbers and other distinguishing marks of the Bonds to be redeemed, including CUSIP numbers; (iii) the redemption date; (iv) the Redemption Price; (v) with respect to each such Bonds, the principal amount thereof to be redeemed; (vi) the date of publication, if any, of the notice of redemption; (vii) that, except in the case of Book Entry Bonds, such Bonds will be redeemed at the principal corporate trust office of the Trustee giving the address thereof and the name and telephone number of a representative of the Trustee to whom inquiries may be directed; (viii) that no representation is made as to the correctness of the CUSIP number either as printed on the Bonds or as contained in such notice and that an error in a CUSIP number as printed on a Bond or as contained in such notice shall not affect the validity of the proceedings for redemption; and (ix) if the Authority's obligation to redeem the Bonds is subject to one or more conditions, a statement to that effect that describes the condition or conditions to such redemption. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, and that, from and after such date, payment having been made or provided for, interest thereon shall cease to accrue.

Such notice shall be given by mailing a copy of such notice not less than thirty (30) days nor more than sixty (60) days prior to the redemption date or, in the case of Variable Interest Rate Bonds or Option Bonds, such shorter period as shall be established by the Series Resolution authorizing such Bonds or the Bond Series Certificate relating thereto, but in no event less than fifteen (15) days prior to the redemption date. Such notice shall be sent by first class mail, postage prepaid, to the registered owners of the Bonds which are to be redeemed, at their last known addresses, if any, appearing on the registration books not more than ten (10) Business Days prior to the date such notice is given. Upon giving such notice the Trustee shall promptly certify to the Authority that it has mailed or caused to be mailed such notice to the Holders of the Bonds to be redeemed in the manner provided in the Resolution. Such certificate shall be conclusive evidence that such notice was given in the manner required by the Resolution. The failure of any Holder of a Bond to be redeemed to receive such notice shall not affect the validity of the proceedings for the redemption of the Bonds. If directed in writing by an Authorized Officer of the Authority, the Trustee shall also give such notice by publication thereof once in an Authorized Newspaper, such publication to be not less than thirty (30) days nor more than sixty (60) days prior to the redemption date or, in the case of Variable Interest Rate Bonds or Option Bonds, such shorter period as shall be established by the Series Resolution authorizing such Bonds or the Bond Series Certificate relating thereto, but in no event less than fifteen (15) days prior to the redemption date; provided, however, that such publication shall not be a condition precedent to such redemption, and failure to so publish any such notice or a defect in such notice or in the publication thereof shall not affect the validity of the proceedings for the redemption of the Bonds.

In addition, the Trustee shall (i) if any of the Bonds to be redeemed are Book Entry Bonds, mail a copy of the notice of redemption to the Depository for such Book Entry Bonds not less than thirty-five (35) days prior to the redemption, but, if notice of redemption is to be published as aforesaid, in no event later than five (5) Business Days prior to the date of publication, and (ii) mail a copy of the notice of redemption to Kenny Information Systems Notification Service and to each Rating Service, in each case at the most recent address therefor, or to any successor thereof. Such copies shall be sent by certified mail, return receipt requested, but mailing such copies shall not be a condition precedent to such redemption and failure to so mail or of a person to which such copies were mailed to receive such copy shall not affect the validity of the proceedings for the redemption of the Bonds.

(Section 4.05)

Payment of Redeemed Bonds

Notice having been given by mail in the manner provided in the Resolution, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender of such Bonds, other than Book Entry Bonds of like Series, Sub-Series, maturity and tenor to be redeemed in part, at the office or offices specified in such notice, and, in the case of Bonds presented by other than the registered owner, together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date. Payment of the Redemption Price shall be made, upon the request of the registered owner of one million dollars ($1,000,000) or more in principal amount of Bonds to be redeemed, by wire transfer to such registered owner at the wire transfer address in the continental United States to which such registered owner has, at the time such Bonds are surrendered to the Trustee, directed in writing the Trustee to wire such Redemption Price. If there shall be drawn for redemption less than all of the principal amount of a registered Bond, the Authority shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the registered Bond so surrendered, Bonds of like Series, Sub-Series, maturity and tenor in any of the authorized denominations. If, on the redemption date, moneys for the redemption of all Bonds or portions thereof of any like Series, Sub-Series, maturity and tenor to be redeemed, together with interest accrued and unpaid thereon to the redemption date, shall be held by the Trustee and Paying Agents so as to be available therefor on such date and if notice of redemption shall have been mailed as aforesaid, and the conditions, if any, to such redemption have been satisfied or waived by the Authority, then, from and after the redemption date, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds shall no longer be considered to be Outstanding under the Resolution. If such moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

(Section 4.06)

Pledge of Revenues; Funds and Accounts; Revenues and Application Thereof

Pledge of Revenues

The proceeds from the sale of any Bonds, the Revenues and, except as otherwise provided in provisions of the Resolution summarized under the heading "Establishment of Funds and Accounts" below, all funds and accounts established by the Resolution and by any Series Resolution, other than the Arbitrage Rebate Fund, are pledged to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds and as security for the performance of any other obligation of the Authority under the Resolution and under each Series Resolution all in accordance with the provisions of the Resolution and thereof.

The pledge made by the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of the Bonds, the Revenues and all funds and accounts established and pledged by the Resolution and by any Series Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of the Bonds, the Revenues and all funds and accounts established and pledged by the Resolution and by any Series Resolution, which pledge shall constitute a first lien thereon.

(Section 5.01)

Establishment of Funds and Accounts

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

Construction Fund;
Debt Service Fund; and
Arbitrage Rebate Fund.

All moneys at any time deposited in any fund, account or subaccount created and pledged by the Resolution or by any Series Resolution or required by the Resolution or thereby to be created shall be held in trust for the benefit of the Bondholders, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided in the Resolution; provided, however, that the moneys derived from the remarketing of Option Bonds tendered or deemed to have been tendered for purchase or redemption in accordance with the Series Resolution authorizing the issuance of such Bonds or the Bond Series Certificate relating to such Bonds or derived from a Liquidity Facility or a Credit Facility relating to such Bonds, and any fund or account established by or pursuant to such Series Resolution for the payment of the purchase price or Redemption Price of Option Bonds so tendered or deemed to have been tendered, shall not be held in trust for the benefit of the Holders of Bonds other than the Holders of such Option Bonds, and such moneys and each such fund and account are pledged by the Resolution for the payment of the purchase price or Redemption Price of such Option Bonds.

(Section 5.02)

Application of Moneys in the Construction Fund

1. Except as otherwise provided in the Resolution and any applicable Series Resolution or Bond Series Certificate, moneys deposited in the Construction Fund shall be used only to pay the Costs of Issuance of the Bonds and the Costs of the Project. For purposes of internal accounting, the Construction Fund may contain one or more subaccounts as the Authority may deem proper.

2. Payments from the Construction Fund shall be made by the Authority upon the filing in the records of the Authority of, and in accordance with, a requisition signed by an Authorized Officer of the Authority stating with respect to each payment to be made (i) in the case of a payment for the Costs of the Project, the Facility in connection with which payment is to be made, (ii) the names of the payees, (iii) the purpose for which payment is to be made in terms sufficient for identification, (iv) the respective amount of each such payment and (v) that such purpose constitutes a proper purpose for which moneys in the Construction Fund may be applied and has not been the basis of any previous withdrawal from the Construction Fund. Notwithstanding the provisions of this subdivision, moneys in the Construction Fund to be applied to pay interest on Bonds shall be transferred from the Construction Fund to the Debt Service Fund at such times and in such amounts as shall be determined by an Authorized Officer of the Authority.

3. A Facility shall be deemed to be complete upon the filing in the records of the Authority of the notice of final completion required by Section 3.07 of the Agreement approved by the State University as provided therein.

Upon the filing of notices of final completion relating to all of the Facilities the Project shall be deemed to be complete. The moneys, if any, then remaining in the Construction Fund, after making provision in accordance with the direction of an Authorized Officer of the Authority for the payment of any Costs of Issuance and Costs of the Project then unpaid, shall be paid by the Authority to the Trustee and applied by it as follows and in the following order of priority:

First: To the Arbitrage Rebate Fund, the amount determined by the Authority to be required to be deposited therein; and

Second: To the Debt Service Fund, any balance remaining.

(Section 5.04)

Deposit of Revenues and Allocation Thereof

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

First: To the Debt Service Fund,

(i) in the case of Revenues received during the period from July 1 of a Bond Year until December 31, thereof, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest payable on the next succeeding January 1 on Outstanding Bonds on which interest is payable semiannually on each January 1 and July 1, (b) the interest estimated by the Authority to be payable prior to the next succeeding July 1 on Outstanding Bonds on which interest is payable more frequently than semiannually, (c) the principal and Sinking Fund Installments of Outstanding Bonds payable prior to the next succeeding July 1, and (d) the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption pursuant to provisions of the Resolution summarized under the heading "Debt Service Fund below, plus accrued interest thereon to the date of purchase or redemption; and

(ii) in the case of Revenues received during the period from January 1 of such Bond Year until June 30 thereof, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest payable on the next succeeding July 1 on Outstanding Bonds on which interest is payable semiannually on each January 1 and July I, (b) the interest estimated by the Authority to be payable prior to the next succeeding January 1 on Outstanding Bonds on which interest is payable more frequently than semiannually, (c) the principal and Sinking Fund Installments of Outstanding Bonds payable prior to the next succeeding January 1, and (d) the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption pursuant to provisions of the Resolution summarized under the heading "Debt Service Fund below, plus accrued interest thereon to the date of purchase or redemption;

Second: To reimburse, pro rata**,** each Facility Provider of a Credit Facility or a Liquidity Facility for Provider Payments which are then unpaid, in proportion to the respective Provider Payments then unpaid to such Facility Provider;

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

Fourth: To the Authority, the amount of Operating Expenses theretofore paid by the Authority in excess of the moneys theretofore paid to the Authority on account of such Operating Expenses, as certified in writing by an Authorized Officer of the Authority; and

Fifth: To the Authority, such amounts as are then due and owing to the Authority pursuant to the Agreement, including for (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing or construction of one or more Facilities, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Agreement in accordance with the terms thereof and (iii) fees of the Authority; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts then due and owing to the Authority pursuant to the Agreement and payable pursuant to this paragraph Fifth.

2. After making the payments required by subdivision 1 of this Section, any Revenues remaining shall, upon the direction of an Authorized Officer of the Authority, be paid by the Trustee to the Authority for deposit to the Construction Fund or deposited by the Trustee to the Arbitrage Rebate Fund or the Debt Service Fund for application in accordance with provisions of the Resolution summarized under the heading "Debt Service Fund" below, in the respective amounts set forth in such direction. The Trustee shall notify the Authority and the State University promptly after making the payments required by subdivision 1 of this Section of any Revenues then remaining.

(Section 5.05)

Debt Service Fund

1. The Trustee shall on or before the Business Day preceding each date on which the principal or Redemption Price of or interest on Outstanding Bonds is payable, pay to itself and any other Paying Agent out of the Debt Service Fund:

(a) the interest due and payable on all Outstanding Bonds on such interest payment date;

(b) the principal due and payable on all Outstanding Bonds on such interest payment date; and

(c) the Sinking Fund Installments or other amounts related to a mandatory redemption, if any, due and payable on all Outstanding Bonds on such interest payment date.

The amounts paid out pursuant to this Section shall continue to be subject to the pledge made by the Resolution and shall be held by the Trustee and Paying Agents subject to such pledge and applied to such payments.

2. Notwithstanding the provisions of subdivision 1 of this Section, the Authority may, at any time subsequent to the first day of any Bond Year immediately preceding a Bond Year during which a Sinking Fund Installment is payable, but in no event less than forty-five (45) days prior to the succeeding date on which such Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds to be redeemed from such Sinking Fund Installment. Any Term Bond so purchased and any Term Bond otherwise purchased and delivered to the Trustee shall be canceled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so canceled shall be

credited against the Sinking Fund Installment due on such date; **provided, however**, that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is given

3. Moneys in the Debt Service Fund that:

(i) during the period from the beginning of each Bond Year until December 31 thereof, is in excess of the amount required to pay the sum of (i) the principal and Sinking Fund Installments of Outstanding Bonds payable prior to the next succeeding July 1, (ii) the interest payable on the next succeeding January 1 on Outstanding Bonds on which interest is payable semiannually on each January 1 and July 1, (iii) the amount of interest estimated by the Authority to be payable prior to the next succeeding July 1 on Outstanding Bonds on which interest is payable more frequently than semiannually, and (iv) the purchase price or Redemption Price, including accrued interest to the date of such purchase or redemption, payable on or prior to the next succeeding July 1 of Outstanding Bonds theretofore contracted to be purchased or called for redemption, or

(ii) during the period from January 1 until the end of the Bond Year, is in excess of the amount required to pay the sum of (i) the principal and Sinking Fund Installments of Outstanding Bonds payable prior to the next succeeding January 1, (ii) the interest payable on the next succeeding July 1 on Outstanding Bonds on which interest is payable semiannually on each January 1 and July 1, (iii) the amount of interest estimated to be payable prior to the next succeeding January 1 on Outstanding Bonds on which interest is payable more frequently than semiannually, and (iv) the purchase price or Redemption Price, including accrued interest to the date of such purchase or redemption, payable on or prior to the next succeeding January 1 of Outstanding Bonds theretofore contracted to be purchased or called for redemption, shall in each case be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to the purchase of Outstanding Bonds of any Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Authority shall direct. If fifty (50) days prior to any interest payment date on which Bonds of any Series are subject to redemption the amount of such excess is fifty thousand dollars ($50,000.00) or more, the Trustee shall, to the extent such moneys are sufficient therefor, apply such moneys in accordance with the direction of an Authorized Officer of the Authority given pursuant to provisions of the Resolution summarized under the heading "Redemption at the Election or Direction of the Authority" above to the redemption of Bonds as provided in the Resolution at the Redemption Prices specified in the applicable Series Resolution or Bond Series Certificate.

(Section 5.06)

Arbitrage Rebate Fund

The Trustee shall deposit to the Arbitrage Rebate Fund any moneys delivered to it by the Authority or the State University for deposit therein and, notwithstanding any other provisions of the Resolution, shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of an Authorized Officer of the Authority, moneys on deposit in any other funds held by the Trustee under the Resolution at such times and in such amounts as shall be set forth in such directions.

Moneys on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which an Authorized Officer of the Authority determines to be in excess of the amount required to be so rebated to any fund or account established under the Resolution in accordance with the written direction of such Authorized Officer.

The Authority shall periodically, at such times as may be required to comply with the Code, determine the amount required by the Code to be rebated to the Department of the Treasury of the United States of America with respect to each Series of Bonds and (i) transfer or direct the Trustee to transfer from any other of the funds and accounts held under the Resolution and deposit to the Arbitrage Rebate Fund, such amount as the Authority shall have determined to be necessary in order to enable it to comply with its obligation to rebate moneys to the Department of the Treasury of the United States of America with respect to each Series of Bonds and (ii) pay out of the Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 5.10)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if at any time the amounts held in the Debt Service Fund, are sufficient either to pay the principal or Redemption Price of all Outstanding Bonds and the interest accrued and to accrue on such Bonds to the next date on which all such Bonds are redeemable, or to make provision pursuant to the defeasance provisions of the Resolution for the payment of the outstanding Bonds at the maturity or redemption dates thereof, the Authority may (i) direct the Trustee to proceed to redeem the Outstanding Bonds in the manner provided for redemption of such Bonds by the Resolution and by each Series Resolution as provided in the Resolution, or (ii) give the Trustee irrevocable instructions m accordance with the defeasance provisions of the Resolution and make provision for the payment of the Outstanding Bonds at the maturity or redemption dates thereof in accordance therewith.

(Section 5.11)

Transfer of Investments

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

(Section 5.12)

Security for Deposits and Investment of Funds

Security for Deposits

All moneys held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of the Authority and the Holders of the Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; provided, however, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any moneys with them pursuant to the Resolution and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Bonds, or for the Trustee to give security for any moneys which shall be represented by obligations purchased or other investments made under the provisions of the Resolution as an investment of such moneys.

(Section 6.01)

Investment of Funds and Accounts

1. Moneys held under the Resolution in any fund or account established by the Resolution or by or pursuant to a Series Resolution, if permitted by law, shall, as nearly as may be practicable, be invested in Government Obligations, Federal Agency Obligations, Exempt Obligations, and, if not inconsistent with the investment guidelines of a Rating Service applicable to funds held under the Resolution, any other Permitted Investment; provided, however, that each such investment shall permit the moneys so deposited or invested to be

available for use at the times at which the Authority reasonably believes such moneys will be required for the purposes of the Resolution; provided, further, that (x) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (y) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Permitted Collateral shall be free and clear of claims of any other person. Moneys held under the Resolution by the Trustee shall be invested by the Trustee upon the direction of an Authorized Officer of the Authority given or confirmed in writing, which direction shall specify the amount to be so invested.

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

3. In computing the amount in any fund or account held by the Trustee under the provisions of the Resolution, each Permitted Investment shall be valued at the market value thereof, plus accrued interest.

4. Notwithstanding anything to the contrary in the Resolution, the Authority, in its discretion, may direct the Trustee to, and the Trustee shall, sell, present for redemption or exchange any investment held by the Trustee pursuant to the Resolution and the proceeds thereof may be reinvested as provided in this Section. Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account in which such investment is held. The Trustee shall advise the Authority, in writing on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund and account in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of subdivisions 1 and 2 of this Section. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund and account in the previous month.

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

(Section 6.02)

Particular Covenants

Payment of Principal and Interest

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

(Section 7.01)

Powers as to Bonds and Pledge

The Authority is duly authorized under the Act and all applicable laws to create and issue the Bonds, to adopt the Resolution and each Series Resolution and to pledge the proceeds from the sale of the Bonds, the Revenues and all funds and accounts established and pledged by the Resolution, in the manner and to the extent provided in the Resolution and the Series Resolution. The Authority further covenants that the proceeds from the sale of the Bonds, the Revenues and all funds and accounts established and pledged by the Resolution or by or pursuant to a Series Resolution are and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto, prior to the pledge created by the Resolution. In addition to the rights reserved under the provisions of the Resolutions summarized under the heading "Additional Obligations" above, the pledge, lien, charge or encumbrance upon the Revenues created by the Authority to secure its obligations to a Facility Provider of a Credit Facility or a Liquidity Facility may be of equal priority and rank with the charge and lien thereon created by the Resolution. The Authority further covenants that all corporate action on the part of the Authority to that end has been duly and validly taken. The Authority further covenants that the Bonds and the provisions of the Resolution and of each Series Resolution are and shall be the valid and legally enforceable obligations of the Authority in accordance with their terms and the terms of the Resolution and of each Series Resolution. The Authority further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge made by the Resolution and all of the rights of the Bondholders under the Resolution and under each Series Resolution against all claims and demands of all persons whomsoever.

(Section 7.03)

Accounts and Audits

The Authority shall keep proper books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries shall be made of its transactions relating to each Series of Bonds, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of the State University, the Trustee or of any Holder of a Bond or his representative duly authorized in writing. The Trustee shall annually prepare a report which shall be furnished to the Authority, to each Facility Provider and to the State University. Such report shall include at least: a statement of all funds (including investments thereof) held by such Trustee and the Authority pursuant to the provisions of the Resolution and of each Series Resolution; a statement of the Revenues collected in connection with the Resolution and with each Series Resolution; and complete and correct entries of the Authority's transactions relating to each Series of Bonds. A copy of such report shall, upon receipt of a written request therefor, and payment of any reasonable fee or charge made in connection therewith, be furnished to the registered owner of a Bond or any beneficial owner of a Book Entry Bond requesting the same.

(Section 7.05)

Creation of Liens

The Authority shall not create or cause to be created any lien or charge prior to that of the Bonds on the proceeds from the sale of any Bonds, the Revenues or the funds and accounts established by the Resolution or by any Series Resolution which are pledged by the Resolution; nor shall the Authority from and after the date on which Bonds are first issued, issue bonds under or pursuant to the Authority's Revenue Bond Resolution (Dormitory Revenue Bonds, State University Issue), adopted April 13, 1964. Nothing contained in the Resolution shall prevent the Authority from issuing (i) bonds, notes or other obligations under another and separate resolution so long as the charge or lien created by such resolution is not prior to the charge or lien created by the Resolution, (ii) bonds, notes or other obligations under another and separate resolution which are secured on a parity basis by payments to be made by the State University pursuant to the Agreement, including payments from moneys held in the Dormitory Income Account and (iii) incurring obligations or indebtedness to a Facility Provider of a Credit Facility or a Liquidity Facility which are secured by a lien on and pledge of the Revenues which are equal to the lien and pledge thereon made by the Resolution.

(Section 7.06)

Enforcement of Obligations of the State University

The Authority shall take all legally available action to cause the State University to perform fully its obligation to pay the Basic Rent and other amounts which under the Agreement are to be paid to the Trustee, in the manner and at the times provided in the Agreement. The Authority shall take all legally available action to cause the State University to perform fully all duties and acts and comply fully with the covenants of the State University required by the Agreement in the manner and at the times provided in the Agreement; **provided. however**, that the Authority may delay or defer enforcement of one or more provisions of the Agreement (other than provisions requiring the payment of moneys to the Trustee for deposit to any fund or account established under the Resolution) if the Authority determines such delay or deferment will not materially adversely affect the interests of the Holders of the Bonds.

(Section 7.07)

Deposit of Certain Moneys in the Construction Fund

In addition to the proceeds of Bonds to be deposited in the Construction Fund, any moneys paid to the Authority for the acquisition, construction, reconstruction, rehabilitation or improvement of any Facility, including the proceeds of any insurance or condemnation award to be so applied, shall be deposited in the Construction Fund.

(Section 7.08)

Offices for Payment and Registration of Bonds

The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for payment. The Authority may, pursuant to a Supplemental Resolution or a Series Resolution or pursuant to a resolution adopted in accordance with the Resolution, designate an additional Paying Agent or Paying Agents where Bonds of the Series authorized thereby or referred to therein may be presented for payment. The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for registration, transfer or exchange and the Trustee is appointed as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds.

(Section 7.09)

Amendment, Change, Modification or Waiver of Agreement

1. Except as otherwise provided in the Resolution, the Agreement may not be amended, changed, modified or terminated, nor may any provision thereof be waived, without the consent of the Holders of Outstanding Bonds as provided in the Resolution, if such amendment, change, modification, termination or waiver (i) reduces the amount of Basic Rent payable on any date or delays the date on which Basic Rent is payable, (ii) modifies the provisions relating to the establishment and maintenance of, and the time and amounts required or permitted to be deposited to or withdrawn from, the Dormitory Income Account; provided, however, that, notwithstanding anything else in the Resolution, the Dormitory Income Account Reserve Requirement, as such term is defined in the Agreement, may be changed at any time so long as no Rating Service then rating the Bonds reduces or withdraws its rating as a result of such change, (iii) modifies the terms or conditions upon which the Agreement may be reinstated pursuant to Section 8.03 or 9.03 of the Agreement, (iv) waives or surrenders any right of the Authority to terminate the Agreement, (v) modifies the events which constitute events of default under Section 8.01 of the Agreement or diminishes, limits or conditions the rights of or remedies which may be exercised by the Authority upon the occurrence of an event of default under the Agreement or (vi) adversely affects the interests of Bondholders in any material respect.

No such amendment, change, modification, termination or waiver shall take effect unless the prior written consent of (a) the Holders of at least a majority in principal amount of the Bonds then Outstanding, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the amendment, change, modification, termination or waiver, the Holders of not less than a majority in principal amount of the Bonds of the Series so affected and then outstanding; provided, however, that if such amendment, change, modification, termination or waiver will, by its terms, not take effect so long as any Bonds of any specified Series and maturity remain outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section.

2. The Agreement may be amended, changed or modified or any provision thereof waived in any other respect without the consent of the Holders of Outstanding Bonds, except that no amendment, change or modification thereof to cure any ambiguity or defect or inconsistent provision in the Agreement or to insert such provisions clarifying matters or questions arising under the Agreement as are necessary or desirable, shall be made unless such amendment, change, modification or waiver is not contrary to or inconsistent with the Agreement as theretofore in effect and unless consented to by the Trustee.

3. No amendment, change, modification or termination of the Agreement or waiver of a provision thereof shall be made other than pursuant to a written instrument signed by the Authority and the State University. A copy of each such amendment, change, modification, termination or waiver shall be filed with the Trustee.

4. For the purposes of this Section, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to an amendment, change, modification, termination or waiver permitted by this Section with the same effect as a consent given by the Holder of such Bonds.

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

For the purposes of this Section, the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee, with respect to whether any amendment, change, modification or waiver adversely affects the interests of any Holders of Bonds then Outstanding in any material respect.

(Section 7.10)

Notice as to Agreement Default

The Authority shall notify the Trustee that an "event of default" under Section 8.01 of the Agreement has occurred and is continuing, which notice shall be given within five (5) days after the Authority has obtained actual knowledge thereof.

(Section 7.11)

Basic Rent

The Agreement shall provide for the payment of Basic Rent which shall be sufficient at all times to pay the principal and Sinking Fund Installments of and interest on Outstanding Bonds as the same become due and payable.

(Section 7.12)

Sale, Lease or Condemnation of a Facility

The Authority shall not permit the sale, lease or other disposition of a Facility except in accordance with the provisions of the Agreement. The net proceeds of any condemnation which is not to be used for the repair and improvement of a Facility in accordance with Section 5.07 of the Agreement; and the net proceeds of any sale of a Facility, shall be paid to the Trustee and deposited by it to the Debt Service Fund for application in accordance with the provisions of the Resolution summarized under the heading "Debt Service Fund" above.

(Section 7.16)

Compensation

Unless otherwise provided by contract with the Trustee or any Paying Agent, the Authority shall pay to the Trustee and to each Paying Agent, from time to time, reasonable compensation for all services rendered by it under the Resolution and under the applicable Series Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Resolution and under the applicable Series Resolution; provided, however, that neither the Trustee nor any Paying Agent shall be entitled to compensation for any expenses, charges, counsel fees or other disbursements incurred in connection with or incident to its resignation or its removal by the Holders of Bonds or by a court of competent jurisdiction as provided in the Resolution whether or not the same were incurred in or about the performance of its powers and duties under the Resolution or under a Series Resolution in connection with its resignation or removal. Neither the Trustee nor a Paying Agent shall have a lien therefor on any and all funds at any time held by it under the Resolution and under the applicable Series Resolution (other than the Arbitrage Rebate Fund) prior to any of the Bonds for which such services have been rendered. The Authority shall indemnify and save the Trustee and each Paying Agent harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Resolution and under the applicable Series Resolution and which are not due to its negligence or default. None of the provisions contained in the Resolution or in any Series Resolution shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to it. The Trustee shall not be required to take any action at the request or direction of a Facility Provider made or given pursuant to the Resolution unless and until such Facility Provider shall have indemnified and saved the Trustee harmless against any liabilities and all reasonable expenses, charges, counsel fees and other disbursements, including those of the Trustee's attorneys, agents and employees, incurred in connection with or as a result of taking the action requested or directed by the Facility Provider to be taken.

(Section 8.06)

Series Resolutions and Supplemental Resolutions

Modification and Amendment Without Consent

Notwithstanding any other provisions of the Resolution, the Authority may adopt at any time or from time to time Series Resolutions or Supplemental Resolutions for any one or more of the following purposes, and any such Series Resolution or Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority:

(a) To provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;

(b) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(c) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(d) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(e) To confirm, as further assurance, any pledge under the Resolution, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution, of the Revenues, or any pledge of any other moneys, investments thereof or funds;

(f) To modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution or Series Resolution shall cease to be Outstanding, and all Bonds issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent Resolutions;

(g) To modify the provisions of the Resolution summarized in paragraph 1 under the heading "Investment of Funds and Accounts" above in any respect, provided that such modification shall not permit the investment of moneys in the Debt Service Fund in any manner inconsistent with such provisions and shall not result in the suspension, withdrawal or reduction by a Rating Service of the ratings assigned thereby to any of the Outstanding Bonds; or

(h) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable if any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Bondholders in any material respect.

(Section 9.01)

Supplemental Resolutions Effective with Consent of Bondholders

The provisions of the Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of Bondholders in accordance with and subject to the provisions of the Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority. The Trustee shall transmit a copy of such Supplemental Resolution to the State University upon its becoming effective.

(Section 9.02)

General Provisions Relating to Series Resolutions and Supplemental Resolutions

The Resolution shall not be modified or amended in any respect except in accordance with and subject to the provisions of this Resolution. Nothing contained in the Resolution shall affect or limit the rights or obligations of the Authority to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to the provisions of the Resolution or the right or obligation of the Authority to execute and deliver to the Trustee or any Paying Agent any instrument provided elsewhere in the Resolution or permitted to be delivered to the Trustee or any Paying Agent.

A copy of every Series Resolution and Supplemental Resolution adopted by the Authority, when filed with the Trustee, shall be accompanied by an opinion of Bond Counsel stating that such Series Resolution or Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution and is valid and binding upon the Authority and enforceable in accordance with its terms. The Trustee shall submit a copy of such Supplemental Resolution to the State University and to each Facility Provider upon its becoming effective.

The Trustee is by the Resolution authorized to accept delivery of a certified copy of any Series Resolution or Supplemental Resolution permitted or authorized pursuant to the provisions of the Resolution and to make all further agreements and stipulations which may be contained therein, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Series Resolution or Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

No Series Resolution or Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent shall become effective without the written consent of the Trustee or Paying Agent affected thereby.

(Section 9.03)

Amendments of Resolution

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds under the Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as summarized in the following paragraph, (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (iii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series, maturity and tenor remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Bondholders. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the Resolution.

(Section 10.01)

Consent of Bondholders

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions summarized in the preceding paragraph to take effect when and as provided in this Section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to the Bondholders (but failure to mail such copy and request to any particular Holder shall not affect the validity of the Supplemental Resolution when consented to as in this Section provided). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consent of the Holders of the percentages of the Outstanding Bonds specified as summarized in the preceding paragraph and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of the holding or owning at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive proof that the consents have been given by the Holders of the Bonds described in the certificate or certificates of the Trustee. Any consent given by a Bondholder shall be binding upon the Holder of Bonds giving such consent and, anything in the Resolution to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Bondholder giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee hereinafter in this Section provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that such Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive evidence that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this Section, shall be given to the Bondholders by the Authority by mailing such notice to the Bondholders and, at the discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee hereinabove provided for is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section provided). The Authority shall file with the Trustee proof of the mailing of such notice to the Bondholders, and, if the same shall have been published, of the publication thereof. A transcript, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Trustee, each Paying Agent, and the Holders of all Bonds upon the filing with the Trustee of proof of the mailing of such notice or at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the Authority, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

For the purposes of the Resolution, the purchasers of the Bonds of a Series, whether purchasing in connection with a primary offering or a reoffering of Bonds or as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to a modification or amendment permitted by the Resolution in the manner provided in the Resolution, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering or reoffering of the Bonds of such Series by the Authority.

(Section 10.02)

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Holders of the Bonds may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of a Supplemental Resolution certified by an Authorized Officer of the Authority and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Resolution, except that no notice to Bondholders either by mailing or publication shall be required.

(Section 10.03)

Defaults and Remedies

Events of Default

An event of default shall exist under the Resolution and under each Series Resolution (in the Resolution called an "event of default") if:

(a) Payment of the principal, Sinking Fund Installments or Redemption Price of any Bond shall not be made by the Authority when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) Payment of an installment of interest on any Bond shall not be made by the Authority when the same shall become due and payable; or

(c) With respect to the Bonds of any Series, the Authority shall default in the due and punctual performance of any covenants contained in the Series Resolution authorizing the issuance thereof to the effect that the Authority shall comply with the provisions of the Code applicable to such Bonds necessary to maintain the exclusion of interest therein from gross income under Section 103 of the Code and shall not take any action which would adversely affect the exclusion of interest on such Bonds from gross income under Section 103 of the Code and, as a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; or

(d) The Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Resolution or in the Bonds or in any Series Resolution on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, unless, if such default is not capable of being cured within thirty (30) days, the Authority has commenced to cure such default within said thirty (30) days and diligently prosecutes the cure thereof.

(Section 11.02)

Acceleration of Maturity

Upon the happing and continuance of any event of default, other than an event of default specified in the provisions of the Resolution summarized in paragraph (c) under the heading "Events of Default" above, then and in every such case the Trustee may, and, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, shall, by a notice in writing to the Authority, declare the principal of all of the Outstanding Bonds to be due and payable. At the expiration of thirty (30) days after such notice is given, such principal shall become and be immediately due and payable, anything in the Resolution or in any Series Resolution or in the Bonds to the contrary notwithstanding. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee shall, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds not then due by their terms and then Outstanding and by written notice to the Authority, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable by the Authority under the Resolution and under each Series Resolution (other than principal amounts payable only because of a declaration and acceleration under this Section) shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution or in any Series Resolution or in the Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this Section) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in the Resolution, then and in every such case, the Trustee may proceed, and upon the written request of the Facility Provider of a Credit Facility, or of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, or, in the case of a happening and continuance of an event of default specified in the provisions of the Resolution summarized in paragraph (c) under the heading "Events of Default" above, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall proceed (subject to the provisions of the Resolution summarized under the heading "Compensation" above), to protect and enforce its rights and the rights of the Bondholders or of such Facility Provider under the Resolution or under any Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under any Series Resolution or in aid or execution of any power in the Resolution or therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Resolution and under each Series Resolution the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any event of default becoming, and at any time remaining, due from the Authority for principal or interest or otherwise under any of the provisions of the Resolution or of any Series Resolution or of the Bonds, with interest on overdue payments of the principal of or interest on the Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under any Series Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against the Authority but solely as provided in the Resolution, in any Series Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

(Section 11.04)

Limitation of Rights of Individual Bondholders

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution, or for any other remedy under the Resolution unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, or, in the case of an event of default specified in the provisions of the Resolution summarized in paragraph (c) under the heading "Events of Default" above, the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are by the Resolution declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution, and in equity or at law. It is understood and intended that no one or more Holders of the Bonds secured by the Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds, except that any proceedings at law or in equity instituted or maintained on account of an event of default specified in the provisions of the Resolution summarized in paragraph (c) under the headings "Event of Default" above shall be instituted and maintained solely for the benefit of all Holders of the Bonds affected thereby. Notwithstanding any other provision of the Resolution, the Holder of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the stated maturity of such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

(Section 11.08)

Defeasance

1. If the Authority shall pay or cause to be paid to the Holders of Bonds of a Series the principal, Sinking Fund Installments, if any, or Redemption Price of and interest thereon, at the times and in the manner stipulated therein, in the Resolution and in the applicable Series Resolution and Bond Series Certificate, then the pledge of the Revenues or other moneys and securities pledged by the Resolution to such Bonds and all other rights granted by the Resolution to such Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Authority, and all moneys or investments thereof held by it pursuant to the Resolution and to the applicable Series Resolution which are not required for the payment or redemption of Bonds of such Series shall be paid or delivered by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Facility Provider; and, then, the balance thereof to the Authority. Such moneys or investments thereof so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution.

2. Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in subdivision 1 of this Section. All Outstanding Bonds of any Series or any Sub-series or maturity within a Series or Sub-series or a portion of a maturity within a Series or Sub-Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subdivision 1 of this Section if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority, shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to mail as provided in the Resolution notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of said Bonds at their last known addresses appearing on the registration hooks, and, if directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds. The Authority shall give written notice to the Trustee of its selection of the Series, Sub-series and maturity payment of which shall be made in accordance with this Section. The Trustee shall select the Bonds of like Series, Sub-Series, maturity and tenor payment of which shall be made in accordance with this Section in the manner provided in the provisions of the Resolution summarized under the heading "Selection of Bonds to be Redeemed" above.

Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds; provided, however, that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date, as the case may be; provided, further, that Defeasance Securities may be withdrawn and used by the Authority for any purpose upon (i) the simultaneous substitution therefor of either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which, together with the moneys, if any, held by or deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (ii) receipt by the Trustee of a letter or other written report a Verification Agent verifying the accuracy of the arithmetical computations which establish the adequacy of such moneys and Defeasance Securities for such purpose. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required in the Resolution to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Facility Provider; and, then, the balance thereof to the Authority. The moneys so paid by the Trustee shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution.

3. For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with clause (b) of the second sentence of subdivision 2 of this Section, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such Maximum Interest Rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Trustee for the payment of interest on such Variable Interest Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Interest Rate Bonds in order to satisfy clause (b) of the second sentence of subdivision 2 of this Section, the Trustee shall pay the amount of such excess as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Facility Provider; and, then, the balance thereof to the Authority. The moneys so paid by the Trustee shall be released from any trust, pledge, lien encumbrance or security interest created by the Resolution.

4. Option Bonds shall be deemed to have been paid in accordance with clause (b) of the second sentence of subdivision 2 of this Section only if, in addition to satisfying the requirements of clauses (a) and (c) of such sentence, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to subdivision 2 of this Section, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this paragraph 4. If any portion of the moneys deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose, the Trustee shall, if requested by the Authority, pay the amount of such excess as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Facility Provider; and, then, the balance thereof to the Authority. The moneys so paid by the Trustee shall be released from any trust, pledge, lien encumbrance or security interest created by the Resolution.

5. Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Bonds of a Series or the interest thereon which remain unclaimed for one (1) year after the date when all of the Bonds of such Series have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, or for one (1) year after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after said date when all of the Bonds of such Series become due and payable, or one (1) year after the date when the principal or Redemption Price of or interest on the Bonds for which said moneys is held was due and payable, shall, at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Authority for the payment of such Bonds; provided, however, that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority.

(Section 12.01)

Credit Facility Provider as Holder

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

(Section 14.08)

Appendix F

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FORM OF APPROVING OPINION OF BOND COUNSEL

Upon delivery of the Series 2009 Bonds, Hiscock & Barclay LLP, Bond Counsel to the Authority, proposes to issue its approving opinion in substantially the following form:

November __, 2009

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

Ladies and Gentlemen:

We have acted as Bond Counsel to the Dormitory Authority of the State of New York, a body corporate and politic constituting a public benefit corporation of the State of New York (the "Authority"), in connection with the issuance and sale by the Authority of its $100,120,000 Lease Revenue Bonds (State University Dormitory Facilities Issue), Series 2009A (the "Series 2009A Bonds"). The Series 2009A Bonds are being issued and sold pursuant to the Dormitory Authority Act constituting Chapter 524 of The Laws of 1944 of New York and codified as Title 4 of Article 8 of the New York Public Authorities Law, as amended to the date hereof (the "Act"), and pursuant to the Lease Revenue Bond Resolution (State University Dormitory Facilities Issue), adopted by the Authority on September 20, 1995, as amended and restated in its entirety on September 24, 2003 (the "Resolution") and the Lease Revenue Bonds (State University Dormitory Facilities Issue) Series 2009A Resolution Authorizing Up To $153,000,000 Series 2009A Bonds, adopted on July 29, 2009 (the "Series 2009 Resolution" and together with the Resolution, the "Resolutions"). The Authority is authorized to issue Lease Revenue Bonds (State University Dormitory Facilities Issue), in addition to the Series 2009A Bonds, upon the terms and conditions set forth in the Resolution and such bonds, when issued, shall, with the Series 2009A Bonds and all other bonds theretofore issued under the Resolution, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution. Defined terms used herein and not otherwise defined shall have the meanings assigned thereto in the Resolutions.

Interest on the Series 2009A Bonds is to be payable semiannually on January 1 and July 1 of each year, commencing on July 1, 2010. The Series 2009A Bonds are to mature on the dates and in the years and amounts, bear interest at the rates as set forth in the Bond Series Certificate executed in connection therewith and the Resolutions.

The Series 2009A Bonds are being issued for the purposes set forth in the Resolutions. The Series 2009A Bonds are to be issued in fully registered form in the denomination of $5,000 at maturity or any integral multiple thereof. The Series 2009A Bonds are payable, subject to redemption or purchase prior to maturity, exchangeable, transferable and secured upon such terms and conditions as are contained in the Bond Series Certificate executed in connection therewith and the Resolutions.

The Authority and the State University of New York (the "University") have entered into a Lease and Agreement, dated as of September 20, 1995, as amended and restated in its entirety as of September 24, 2003 (the "Agreement"), by which the principal and Sinking Fund Installments of and interest on the Series 2009A Bonds, as well as part of the Authority's annual administrative expenditures and costs, are to be paid by the University as Rentals. A portion of the Rentals constituting the Basic Rent payable under the Agreement has been pledged by the Authority for the benefit of the holders of the Series 2009A Bonds.

We have examined a record of proceedings of the Authority in connection with the authorization and issuance of the Series 2009A Bonds and have made such investigation of law and such further review, inquiry or examinations as we have deemed necessary or desirable in rendering the opinions set forth herein.

The Internal Revenue Code of 1986, as amended (the "Code"), prescribes a number of qualifications and conditions for the interest on state and local obligations to be and to remain excluded from gross income for federal income purposes, some of which, including provisions for potential payments by the Authority to the federal government, require future or continued compliance after issuance of the Series 2009A Bonds in order for the interest to be and to continue to be so excluded from the date of issuance. Noncompliance with these requirements by the Authority or the University may cause the interest on the Series 2009A Bonds to be included in gross income for federal income tax purposes and thus to be subject to federal income tax retroactively to the date of their issuance. The Authority and the University have each covenanted, in the Series 2009 Resolution and the Agreement, respectively, to comply with the requirements of the Code, and to take the actions required of it for the interest on the Series 2009A Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

We are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York, with the right and lawful authority and power to adopt the Resolutions and to issue the Series 2009A Bonds thereunder.

2. The Series 2009 Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution and is authorized and permitted thereby. The Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are the legal, valid and binding obligations of the Authority enforceable in accordance with their terms.

3. The Series 2009A Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State of New York, including the Act, and in accordance with the Resolutions. The Series 2009A Bonds are legal, valid and binding special obligations of the Authority payable as provided in the Resolutions, are enforceable in accordance with their terms and the terms of the Resolutions and are entitled to the benefits of the Resolutions and the Act.

4. The Authority has the right and lawful authority and power to enter into the Agreement, and the Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

5. Under existing statutes and court decisions (i) interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Code and (ii) is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations and is not included in adjusted current earnings of corporations for purposes of calculating the federal corporate alternative minimum taxable income. In rendering this opinion, we have relied on certain representations and statements of reasonable expectations made by the Authority and the University and others in connection with the issuance of the Series 2009A Bonds and have assumed compliance by the Authority and the University with certain ongoing covenants to comply with applicable requirements of the Code for interest on the Series 2009A Bonds to be and to remain excluded from gross income for federal income tax purposes. In addition, interest on the Series 2009A Bonds is exempt from personal income taxes imposed by the State of New York and political subdivisions thereof including The City of New York and the City of Yonkers.

The opinions contained in paragraphs 2, 3 and 4 above are qualified to the extent that the enforceability of the Resolutions, the Series 2009A Bonds and the Agreement may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally or as to the availability of any particular remedy.

Except as stated in paragraph 5 above, we express no opinion as to the federal or state tax consequences of the ownership or disposition of the Series 2009A Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Series 2009A Bonds, or the interest thereon, if any action is taken with respect to the Series 2009A Bonds or the proceeds thereof upon the advice or approval of bond counsel other than Hiscock & Barclay, LLP

In connection with the delivery of this opinion, we are not passing upon the authorization, execution and delivery of the Agreement by the University or as to the accuracy, completeness or sufficiency of the Official Statement or other offering materials relating to the Series 2009A Bonds except to the extent, if any, stated in the Official Statement.

Very truly yours,

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DORMITORY AUTHORITY OF THE STATE OF NEW YORK • LEASE REVENUE BONDS (STATE UNIVERSITY DORMITORY FACILITIES ISSUE), SERIES 2009A

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