NEW ISSUE

$128,340,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
LEASE REVENUE BONDS
(STATE UNIVERSITY DORMITORY FACILITIES ISSUE), SERIES 2010A

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

Payment: The Lease Revenue Bonds (State University Dormitory Facilities Issue), Series 2010A (the "Series 2010A 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 2010A 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 2010A Resolution Authorizing Up To $145,500,000 Series 2010A Bonds, adopted by the Authority on July 28, 2010 (the "Series 2010A Resolution").

The Series 2010A 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 2010A Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. Interest (due semiannually each January 1 and July 1, commencing January 1, 2011) will be payable by check mailed to the registered owners thereof and principal and Redemption Price of the Series 2010A 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 2010A 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 2010A Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2010A Bonds, payments of the principal and Redemption Price of and interest on such Series 2010A 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 2010A BONDS - Book-Entry Only System" herein.

Redemption or Purchase: The Series 2010A 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, regulations, administrative rulings and court decisions as of the date hereof and assuming compliance with certain tax covenants described herein, interest on the Series 2010A 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"). Bond Counsel is also of the opinion that interest on the Series 2010A Bonds is not an item of tax preference for purposes of 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 federal corporate alternative minimum taxable income. Bond Counsel is also of the opinion that, under existing statutes, interest on the Series 2010A 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 2010A Bonds are offered when, as and if issued and received by the Underwriters. The offer of the Series 2010A 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 Pillsbury Winthrop Shaw Pittman LLP, New York, New York and Lewis & Munday, A Professional Corporation, 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 2010A Bonds. The Authority expects to deliver the Series 2010A Bonds in definitive form in New York, New York, on or about September 29, 2010.

Loop Capital Markets LLC

Janney Montgomery Scott LLC **Southwest Securities, Inc.**

September 23, 2010

$128,340,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
LEASE REVENUE BONDS
(STATE UNIVERSITY DORMITORY FACILITIES ISSUE), SERIES 2010A

Due July 1	Amount	Interest Rate	Yield	CUSIP[1]
2011	$ 190,000	3.000%	0.500%	64990HFE5
2012	1,300,000	3.000	0.650	64990HFF2
2013	2,840,000	3.000	0.860	64990HFG0
2014	3,100,000	4.000	1.150	64990HFH8
2015	3,225,000	4.000	1.520	64990HFJ4
2016	3,355,000	4.000	1.860	64990HFK1
2017	3,490,000	5.000	2.200	64990HFL9
2018	3,660,000	4.000	2.500	64990HFM7
2019	3,810,000	4.000	2.710	64990HFN5
2020	3,960,000	4.125	2.940	64990HFP0
2021	4,125,000	5.000	3.060*	64990HFQ8
2022	4,330,000	5.000	3.180*	64990HFR6
2023	4,545,000	5.000	3.260*	64990HFS4
2024	4,775,000	5.000	3.350*	64990HFT2
2025	5,015,000	3.375	3.420	64990HFU9
2026	3,560,000	5.000	3.500*	64990HFV7
2027	3,740,000	5.000	3.590*	64990HFW5
2028	3,925,000	5.000	3.680*	64990HFX3
2029	4,125,000	5.000	3.780*	64990HFY1
2030	4,330,000	5.000	3.880*	64990HFZ8
2031	4,545,000	5.000	3.980*	64990HGD6
2032	4,770,000	5.000	4.060*	64990HGE4
2036	5,800,000	4.125	4.250	64990HGC8

$15,795,000 5.00% Series 2010A Term Bonds Due July 1, 2035 to Yield 4.18%* CUSIP Number[1] 64990HGB0
$26,030,000 5.00% Series 2010A Term Bonds Due July 1, 2040 to Yield 4.25%* CUSIP Number[1] 64990HGA2

* Priced to the first par call on July 1, 2020

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[1] Copyright 2009, American Bankers Association. CUSIP numbers have been assigned by an organization not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2010A 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 2010A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2010A 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 2010A 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 2010A 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 2010A 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 2010A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2010A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

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DORMITORY AUTHORITY - STATE OF NEW YORK - 515 BROADWAY, ALBANY, N.Y. 12207
PAUL T. WILLIAMS JR. - PRESIDENT **ALFONSO L. CARNEY JR. - CHAIR**

$128,340,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
LEASE REVENUE BONDS
(STATE UNIVERSITY DORMITORY FACILITIES ISSUE), SERIES 2010A

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 $128,340,000 principal amount of its Lease Revenue Bonds (State University Dormitory Facilities Issue), Series 2010A (the "Series 2010A 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 2010A Bonds will be applied as follows: (i) for deposit in the Construction Fund, an amount, together with certain investment earnings thereon, sufficient to pay Costs of the Project; (ii) to fund capitalized interest on the Series 2010A Bonds; and (iii) to pay the Costs of Issuance of the Series 2010A Bonds. See "PART 5 - ESTIMATED SOURCES AND USES OF FUNDS" and "PART 6 - THE PROJECT".

Authorization of Issuance

The Series 2010A Bonds will be issued pursuant to the Resolution, the Series 2010A Resolution and the Act. In addition to the Series 2010A 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 June 30, 2010, the Authority had issued twenty other Series of Bonds under the Resolution, of which $1,043,710,000 was Outstanding.

Payment of and Security for the Bonds

The Bonds, including the Series 2010A 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 2010A 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 2010A 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 2010A BONDS

General Description

The Series 2010A Bonds will be issued pursuant to the Act, the Resolution and the Series 2010A Resolution. The Series 2010A Bonds will be dated the date of delivery, will bear interest from that date (payable January 1, 2011 and on each July 1 and January 1 thereafter) at the rates per annum and will mature on July 1 of each of the designated years in the principal amounts shown on the inside cover page of this Official Statement.

The Series 2010A Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Series 2010A 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 2010A Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2010A Bonds, the Series 2010A Bonds will be exchangeable for other fully registered Series 2010A 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 2010A 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 2010A 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 2010A 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 2010A Bonds are subject to optional and mandatory redemption and to purchase in lieu of optional redemption as described below.

Optional Redemption

The Series 2010A Bonds maturing on or before July 1, 2020 are not subject to redemption prior to maturity. The Series 2010A Bonds maturing after July 1, 2020 are subject to redemption prior to maturity, at the election or direction of the Authority, beginning on or after July 1, 2020 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 2010A Bonds maturing on July 1, 2035 and July 1, 2040 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 2010A Bonds specified for each of the years shown below:

Series 2010A Bonds Maturing on July 1, 2035		Series 2010A Bonds Maturing on July 1, 2040	
Year	**Principal Amount**	**Year**	**Principal Amount**
2033	$5,010,000	2037	$6,040,000
2034	5,260,000	2038	6,340,000
2035†	5,525,000	2039	6,660,000
		2040†	6,990,000

† Final Maturity.

The Authority may from time to time direct the Trustee to purchase Series 2010A 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 2010A 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 2010A 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 2010A Bonds of the maturity so purchased will be reduced for such year.

Selection of Series 2010A Bonds to be Redeemed

In the case of Series 2010A Bonds to be redeemed at the election or direction of the Authority, the Authority will select the principal amounts and maturities of the Series 2010A Bonds to be redeemed. If less than all of the Series 2010A Bonds of a maturity are to be redeemed, the Series 2010A 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 2010A Bonds of a maturity, if less than all of the Series 2010A Bonds of such maturity are called for redemption, the particular Series 2010A 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 2010A Bonds will be given by the Trustee in the name of the Authority to the registered owners of the Series 2010A 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 2010A 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 2010A Bonds. Any such notice may contain conditions to the Authority's obligation to redeem the Series 2010A Bonds. See "Appendix E - Summary of Certain Provisions of the Resolution".

If, on the redemption date, moneys for the redemption of the Series 2010A 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 2010A Bonds of such maturity will cease to accrue from and after the redemption date and such Series 2010A Bonds will no longer be considered to be Outstanding under the Resolution.

Purchase In Lieu of Optional Redemption Provisions

The Series 2010A Bonds maturing after July 1, 2020 are also subject to purchase prior to maturity, at the election of the Authority, on or after July 1, 2020, 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 2010A Bonds to be so purchased.

Notice of Purchase and its Effect

Notice of the purchase of Series 2010A Bonds will be given in the name of the Authority to the registered owners of the Series 2010A 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 2010A Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2010A 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 2010A Bonds and such Series 2010A 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 2010A Bond or cause it to be purchased is conditioned upon the availability of sufficient money to pay the Purchase Price for all of the Series 2010A 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 2010A Bonds to be purchased, the former registered owners of such Series 2010A 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 2010A 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 2010A Bonds in accordance with their respective terms.

In the event not all of the Outstanding Series 2010A Bonds of a maturity are to be purchased, the Series 2010A Bonds of such maturity to be purchased will be selected by lot in the same manner as Series 2010A 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 2010A Bonds. The Series 2010A 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 2010A Bond certificate will be issued for each maturity of the Series 2010A 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 2010A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010A 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 2010A 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 2010A Bonds, except in the event that use of the book entry system for a Series of the Series 2010A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010A 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 2010A 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 2010A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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 2010A Bonds if the Authority determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2010A 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 2010A Bond certificates will be delivered as described in the Resolution.

Each person for whom a Participant acquires an interest in the Series 2010A 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 2010A BONDS.

So long as Cede & Co. is the registered owner of the Series 2010A Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2010A Bonds (other than under the captions "PART 11 - TAX MATTERS" and "PART 17 - CONTINUING DISCLOSURE" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2010A 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 2010A 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 2010A 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 2010A 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 2010A Bonds.

The Authority has no taxing power. The Bonds, including the Series 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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)

	2005-06	2006-07	2007-08	2008-09	2009-10
Beginning Cash Balance at July 1	$ 57.4	$ 77.4	$103.4	$120.1	$132.7
Revenue					
Room Rental Income	$323.5	$350.9	$377.2	$401.1	$422.4
College Fees					
Miscellaneous & Transfers	29.9	35.5	46.4	28.8	40.5
Total Revenues	$353.4	$386.4	$423.6	$429.9	$462.9
Expenditures					
Dormitory Operations	$244.1	$256.6	$276.3	$284.3	$289.5
Debt Service Payments	55.0	60.6	70.0	77.5	81.2
Other Programs & Transfers	34.3	43.2	60.6	55.5	75.2
Total Expenditures	$333.4	$360.4	$406.9	$417.3	$445.9
Ending Cash Balance at June 30	$ 77.4	$103.4	$120.1	$132.7	$149.7

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 Other Programs and Transfers shown in the table above, and at June 30, 2010 contained approximately $119.2 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 2009 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**
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%
2009	74,216	71,758	96.7%

PART 4 - DEBT SERVICE REQUIREMENTS FOR THE SERIES 2010A 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 2010A 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 2010A Principal Payments	Series 2010A Interest Payments	Total Debt Service on the Series 2010A Bonds	Other Outstanding Bonds Debt Service(1)	Total Debt Service(1)
2011	$ 190,000	$4,527,294	$4,717,294	$84,920,768	$89,638,061
2012	1,300,000	5,986,306	7,286,306	86,408,893	93,695,199
2013	2,840,000	5,947,306	8,787,306	87,287,780	96,075,086
2014	3,100,000	5,862,106	8,962,106	83,727,222	92,689,328
2015	3,225,000	5,738,106	8,963,106	81,579,218	90,542,324
2016	3,355,000	5,609,106	8,964,106	80,533,011	89,497,117
2017	3,490,000	5,474,906	8,964,906	78,660,628	87,625,534
2018	3,660,000	5,300,406	8,960,406	77,624,367	86,584,773
2019	3,810,000	5,154,006	8,964,006	75,174,272	84,138,278
2020	3,960,000	5,001,606	8,961,606	74,060,432	83,022,038
2021	4,125,000	4,838,256	8,963,256	71,842,779	80,806,035
2022	4,330,000	4,632,006	8,962,006	68,636,944	77,598,950
2023	4,545,000	4,415,506	8,960,506	64,900,971	73,861,477
2024	4,775,000	4,188,256	8,963,256	61,440,737	70,403,993
2025	5,015,000	3,949,506	8,964,506	58,089,002	67,053,508
2026	3,560,000	3,780,250	7,340,250	58,077,370	65,417,620
2027	3,740,000	3,602,250	7,342,250	58,094,852	65,437,102
2028	3,925,000	3,415,250	7,340,250	56,373,995	63,714,245
2029	4,125,000	3,219,000	7,344,000	53,422,821	60,766,821
2030	4,330,000	3,012,750	7,342,750	49,020,139	56,362,889
2031	4,545,000	2,796,250	7,341,250	46,577,306	53,918,556
2032	4,770,000	2,569,000	7,339,000	40,578,373	47,917,373
2033	5,010,000	2,330,500	7,340,500	31,616,900	38,957,400
2034	5,260,000	2,080,000	7,340,000	28,444,925	35,784,925
2035	5,525,000	1,817,000	7,342,000	25,095,150	32,437,150
2036	5,800,000	1,540,750	7,340,750	21,299,750	28,640,500
2037	6,040,000	1,301,500	7,341,500	18,165,000	25,506,500
2038	6,340,000	999,500	7,339,500	10,980,000	18,319,500
2039	6,660,000	682,500	7,342,500	4,677,750	12,020,250
2040	6,990,000	349,500	7,339,500	-	7,339,500

(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 2010A Bonds are as follows:

Sources of Funds	
Principal Amount of the Series 2010A Bonds	$128,340,000
Net Reoffering Premium	10,954,960
Total Sources	$139,294,960
Uses of Funds	
Deposit to Construction Fund	$128,377,486
Capitalized Interest	8,987,344
Costs of Issuance	1,235,788
Underwriters' Discount	694,342
Total Uses	$139,294,960

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. The proceeds of the Series 2010A Bonds may be expended on any Facility.

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 2010, approximately 148,145 students are expected to be enrolled on a full-time basis in community colleges and another 97,607 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 Buffalo*
State University of New York at Binghamton*	State University of New York at Stony Brook*

HEALTH SCIENCES CENTERS

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

UNIVERSITY COLLEGES

State University College at Brockport	State University College at Old Westbury
State University College at Buffalo	State University College at Oneonta
State University College at Cortland	State University College at Oswego
State University College at Fredonia	State University College at Plattsburgh

State University College at Geneseo
State University College at New Paltz
Empire State College
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

	2006	2007	2008	2009	2010*
Full-Time					
Undergraduate	147,128	149,700	153,441	157,739	156,408
Graduate	22,523	22,857	22,830	23,120	23,601
Part-Time	38,865	40,712	42,257	41,344	41,496
Total Enrollment	208,516	213,269	218,528	222,203	221,505

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* Preliminary.

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

Selected Average Annual Enrollment Statistics

	2006-07	2007-08	2008-09	2009-10*	2010-2011**
Full-Time					
Undergraduate	140,225	144,347	147,612	150,038	151,445
Graduate	22,378	22,820	22,716	23,056	23,516
Part-Time	17,634	18,580	19,310	19,188	18,257
Total FTE Enrollment	180,237	185,747	189,637	192,281	193,218

* Not finalized; differences due to rounding.

** 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
2006-07	$1,212,440,000
2007-08	1,340,363,000
2008-09	1,255,125,000*
2009-10	1,223,540,000**
2010-11	1,086,314,000

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

** State-supported appropriation was 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, 2010, the amount outstanding under this borrowing was $60.7 million. During the 2009-10 fiscal year, the amount paid on the borrowing was $25.5 million.

Tuition and Other Unrestricted Revenue

For the 2010 Fall semester, the tuition schedule for State residents is $4,970 per year for all undergraduates; $8,370 for graduate students; $18,120 for students of pharmacy; $17,450 for students of law; $24,850 for students of medicine; $21,420 for students of dentistry; $17,380 for students of optometry; $15,100 for students in the professional programs of physical therapy and nursing; and $9,380 for students in the MBA program. For University students who do not reside in New York State, such schedule is $13,380 for undergraduates (except that non-resident associate degree students at the Colleges of Technology will be charged $9,100 per year); $13,780 for graduate students; $34,500 for students of pharmacy; $29,110 for students of law; $48,770 for students of medicine; $47,300 for students of dentistry; $33,370 for students of optometry; $26,630 for students in the professional programs of physical therapy and nursing; and $15,140 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	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 June 30, 2010, the Authority had approximately $42.7 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority's bonds and notes is paid from moneys received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

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

The total amounts of the Authority bonds and notes (excluding debt of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act) outstanding at June 30, 2010 were as follows:

Public Programs	**Bonds Issued**	**Bonds Outstanding**	**Notes Outstanding**	**Bonds and Notes Outstanding**
State University of New York Dormitory Facilities	$ 2,350,316,000	$ 1,043,710,000	$ 0	$ 1,043,710,000
State University of New York Educational and Athletic Facilities	14,043,272,999	6,283,774,856	0	6,283,774,856
Upstate Community Colleges of the State University of New York	1,590,645,000	662,375,000	0	662,375,000
Senior Colleges of the City University of New York	10,262,671,762	3,346,519,213	0	3,346,519,213
Community Colleges of the City University of New York	2,444,968,350	542,365,787	0	542,365,787
BOCES and School Districts	2,771,681,208	2,168,100,000	0	2,168,100,000
Judicial Facilities	2,161,277,717	704,492,717	0	704,492,717
New York State Departments of Health and Education and Other	6,138,795,000	4,184,350,000	0	4,184,350,000
Mental Health Services Facilities	8,032,895,000	3,881,765,000	0	3,881,765,000
New York State Taxable Pension Bonds	773,475,000	0	0	0
Municipal Health Facilities Improvement Program	1,116,660,000	761,120,000	0	761,120,000
Totals Public Programs	$ 51,686,658,036	$ 23,578,572,573	$ 0	$ 23,578,572,573

Non-Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
Independent Colleges, Universities and Other Institutions	$ 19,251,245,259	$ 10,186,626,435	$ 30,730,000	$ 10,217,356,435
Voluntary Non-Profit Hospitals	14,434,254,309	8,005,120,000	0	8,005,120,000
Facilities for the Aged	2,010,975,000	873,025,000	0	873,025,000
Supplemental Higher Education Loan Financing Program	95,000,000	0	0	0
Totals Non-Public Programs	$ 35,791,474,568	$ 19,064,771,435	$ 30,730,000	$ 19,095,501,435
Grand Totals Bonds and Notes	$ 87,478,132,604	$ 42,643,344,008	$ 30,730,000	$ 42,674,074,008

Outstanding Indebtedness of the Agency Assumed by the Authority

At June 30, 2010, the Agency had approximately $324.9 million aggregate principal amount of bonds outstanding, the obligations as to all of which have been assumed by the Authority. The debt service on each such issue of bonds is paid from moneys received by the Authority (as successor to the Agency) or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue.

The total amounts of the Agency's bonds (which indebtedness was assumed by the Authority on September 1, 1995) outstanding at June 30, 2010 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding
Mental Health Services Improvement Facilities	$ 3,817,230,725	$ 0

Non-Public Programs	Bonds Issued	Bonds Outstanding
Hospital and Nursing Home Project Bond Program	$ 226,230,000	$ 2,880,000
Insured Mortgage Programs	6,625,079,927	314,970,000
Revenue Bonds, Secured Loan and Other Programs	2,414,240,000	7,045,000
Total Non-Public Programs	$ 9,265,549,927	$ 324,895,000
Total MCFFA Outstanding Debt	$ 13,082,780,652	$ 324,895,000

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, 2013.

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

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

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

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

CHARLES G. MOERDLER, Esq., New York.

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

ANTHONY B. MARTINO, CPA, Buffalo.

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

SANDRA M. SHAPARD, Delmar.

Ms. Shapard was appointed as a Member of the Authority by the State Comptroller on January 21, 2003. Ms. Shapard served as Deputy Comptroller for the Office of the State Comptroller from January, 1995 until her retirement in 2001, during which time she headed the Office of Fiscal Research and Policy Analysis and twice served as Acting First Deputy Comptroller. Previously, Ms. Shapard held the positions of Deputy Director and First Deputy Director for the New York

State Division of Budget, from 1991 to 1994, and Deputy Assistant Commissioner for Transit for the State Department of Transportation, from 1988 to 1991. She began her career in New York State government with the Assembly in 1975 where, over a thirteen year period, she held the positions of Staff Director of the Office of Counsel to the Majority, Special Assistant to the Speaker, and Deputy Director of Budget Studies for the Committee on Ways and Means. Ms. Shapard also served as Assistant to the County Executive in Dutchess County. A graduate of Mississippi University for Women, Ms. Shapard received a Masters of Public Administration from Harvard University, John F. Kennedy School of Government, where she has served as visiting lecturer, and has completed graduate work at Vanderbilt University.

GERARD ROMSKI, Esq., Mount Kisco.

Mr. 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 President and chief executive officer of the Authority. Mr. Williams is responsible for the overall management of the Authority's administration and operations. He most recently served as Senior Counsel in the law firm of Nixon Peabody LLP. Prior to working at Nixon Peabody, Mr. Williams helped to establish a boutique Wall Street investment banking company. Prior thereto, Mr. Williams was a partner in, and then of counsel to, the law firm of Bryan Cave LLP. He was a founding partner in the law firm of Wood, Williams, Rafalsky & Harris, which included a practice in public finance and served there from 1984-1998. Mr. Williams began his career as an associate at the law firm of Walker & Bailey in 1977 and thereafter served as a counsel to the New York State Assembly. Mr. Williams is licensed to practice law in the State of New York and holds professional licenses in the securities industry. He holds a Bachelor's degree from Yale University and a Juris Doctor degree from Columbia University School of Law.

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

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

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

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

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

Engineering in Structural Engineering from Rensselaer Polytechnic Institute and a Master of Business Administration from Rensselaer Polytechnic Institute's Lally School of Management.

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

Claims and Litigation

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

Other Matters

New York State Public Authorities Control Board

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

Legislation

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

Environmental Quality Review

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

Independent Auditors

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

PART 9 - LEGALITY OF THE SERIES 2010A BONDS FOR INVESTMENT AND DEPOSIT

The Act provides that the Series 2010A 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 2010A Bonds.

The Series 2010A 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 2010A 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 2010A Bonds.

PART 11 - TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, administrative rulings and court decisions as of the date hereof and assuming compliance with certain tax covenants contained in the Series 2010A Resolution and the Agreement, interest on the Series 2010A 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"). Bond Counsel is also of the opinion that interest on the Series 2010A Bonds is not treated as an item of tax preference for purposes of 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 federal corporate alternative minimum taxable income.

The Code imposes various requirements that must be met in order that interest on the Series 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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 2010A Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of the Series 2010A 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 2010A 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 2010A 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 2010A 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 2010A Bonds, if other than the registered owner).

In the opinion of Bond Counsel, interest on the Series 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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 2010A Bonds from the Authority at an aggregate purchase price of $138,600,618.88 and to make a public offering of the Series 2010A 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 2010A Bonds if any are purchased. The Series 2010A 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.

Loop Capital Markets LLC, one of the underwriters of the Series 2010A Bonds, has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings, including the Series 2010A Bonds, at the original issue prices. Pursuant to the Distribution Agreement, Loop Capital Markets LLC will share a portion of its underwriting compensation with respect to the Series 2010A Bonds with UBS Financial Services Inc.

PART 15 - LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2010A 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 2010A Bonds. Certain legal matters will be passed upon for the Underwriters by their Counsel, Pillsbury Winthrop Shaw Pittman LLP, New York, New York and Lewis & Munday, A Professional Corporation, New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2010A Bonds or questioning or affecting the validity of the Series 2010A 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 2010A Bonds in accordance with the provisions of the Act, the Resolution and the Agreement.

PART 16 - RATINGS

The Series 2010A Bonds are rated Aa2 by Moody’s Investors Service and AA- by Fitch Ratings. 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 2010A 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 2010A Bonds to provide continuing disclosure. The State will undertake for the benefit of the Holders of the Series 2010A 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 2010A 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 2010A Bonds, to provide to the MSRB through its EMMA System, in a timely manner, the notices described below (the "Notices").

Each of the Authority, the State and the University has entered into a continuing disclosure agreement whenever a continuing disclosure agreement is required pursuant to Rule 15c2-12 in connection with prior State University Dormitory Facility Issues, and each of them is and has been in continuous compliance with each such continuing disclosure agreement from the date thereof or for the past five years if the date thereof is more than five years ago.

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 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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 2010A 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, 2010 have been provided to the MSRB through its EMMA system. For information on the financial condition of the State, including the 2010-11 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 2010A 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 2010A Bonds are fully set forth in the Resolution (including any Supplemental Resolutions thereto), and neither any advertisement of the Series 2010A Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2010A Bonds. So far as any statements are made in this Official Statement involving matters of opinion or an estimate, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the offices of the Authority and the Trustee.

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

DORMITORY AUTHORITY OF
THE STATE OF NEW YORK

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

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Appendices

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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, (xi) the Federal National Mortgage Association or any successor thereto, or (xii) 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

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 September 7, 2010. The AIS was filed with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS can be accessed through the EMMA system at www.emma.msrb.org. An official copy of the AIS may be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705. An informational copy of the AIS is available on the Internet at http://www.budget.state.ny.us.

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

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

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Annual Information Statement

State of New York

September 7, 2010

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Annual Information Statement
State of New York
Dated: September 7, 2010

Table of Contents

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Annual Information Statement
of the State of New York

Introduction

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

In this AIS, readers will find:

1. A section entitled the "Current Fiscal Year" that contains (a) extracts from the 2010-11 Enacted Budget Financial Plan, dated August 20, 2010 (the "Updated Financial Plan"), prepared by the Division of the Budget ("DOB"), including the State's official Financial Plan projections, and (b) a discussion of potential risks that may affect the Financial Plan during the State's current fiscal year under the heading "Special Considerations." The first part of the section entitled "Current Fiscal Year" summarizes the major components of the 2010-11 Enacted Budget and the projected impact on operations, annual spending growth, and the magnitude of future potential budget gaps; the second part provides detailed information on projected total receipts and disbursements in the State's governmental funds in 2010-11.

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

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

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

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

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

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

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

Usage Notice

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

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

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

Overview

The State Budget Process

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

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

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

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

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

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

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

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The 2010-11 Enacted Budget Overview

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

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

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

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

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

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

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

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

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

2010-11 Enacted Budget Gap-Closing Plan

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

COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2010-11
(millions of dollars)

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

[1] Includes the carry-forward of the 2009-10 budget shortfall of $1.6 billion into 2010-11.

[2] Recurring value of administrative and legislative actions approved in December 2009.

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

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

Current Fiscal Year

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

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

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

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

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

Updated Financial Plan

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

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

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS
SUMMARY OF CHANGES FROM REVISED CURRENT-SERVICES THROUGH ENACTED BUDGET RECOMMENDATION
(millions of dollars)

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

[1] Includes the carry-forward of the $1.65 billion budget shortfall from 2009-10.

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

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

[3] See "Summary of Changes to the Current-Services Gap" herein.

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

The Updated Financial Plan:

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

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

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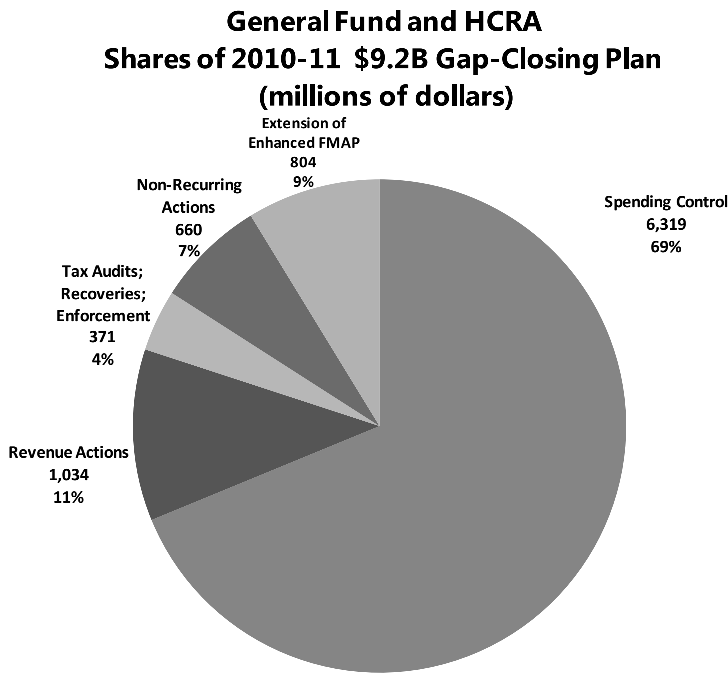
[5] State Operating Funds combines activity in the General Fund, State-financed special revenue funds, and debt service funds and is intended to measure the portion of the State budget that supports operations (as distinct from capital) and that is financed by State resources (as distinct from Federal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

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

[7] Agency operations include fixed costs.

Composition of the Gap-Closing Plan

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



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

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

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

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[8] Includes value of the DRP. See "Explanation of the Deficit Reduction Plan" herein.

Impact on Spending

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

TOTAL DISBURSEMENTS -- SUMMARY OF ADJUSTMENTS[1]
(millions of dollars)

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

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

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

TOTAL DISBURSEMENTS — ADJUSTED FOR PAYMENT DEFERRALS AND ARRA PASS-THROUGH
(millions of dollars)

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

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

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

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

CAUSES OF ADJUSTED STATE OPERATING FUNDS SPENDING CHANGE [1]
(millions of dollars)

	2009-10	2010-11	Annual $ Change	Annual % Change
Total	**78,934**	**78,998**	**64**	**0.1%**
Debt Service	4,961	5,516	555	11.2%
Fringe Benefits	4,276	4,879	603	14.1%
Personal Service	10,874	10,307	(567)	-5.2%
Non-Personal Service/Fixed Costs	4,885	4,663	(222)	-4.5%
Local Assistance	53,938	53,633	(305)	-0.6%

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

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

The following table summarizes the major sources of annual change.

ADJUSTED STATE SPENDING MEASURES: BEFORE AND AFTER BUDGET ACTIONS [1]
(millions of dollars)

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

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

2 Includes the value of recurring savings from the December 2009 Deficit Reduction Plan.

3 State fiscal year basis. ARRA funding temporarily reduces spending from State Operating Funds.

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

5 2009-10 affected by $300 million payment deferral from 2008-09.

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

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

EXPLANATION OF GAP-CLOSING PLAN

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

2010-11 Enacted Budget Actions

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

Spending Control

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

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

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[9] Legislation, other than appropriation bills, submitted as part of the budget.

COMBINED GENERAL FUND/HCRA GAP-CLOSING PLAN FOR 2010-11
SPENDING CONTROL (AFTER VETO BENEFIT)
SAVINGS/(COSTS)
(millions of dollars)

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

[1] Excludes savings from December 2009 DRP. Net of new funding initiatives. Includes the impact of Governor's vetoes.

[2] Estimated debt service savings from reducing planned capital spending financed with debt.

Local Assistance

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

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

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

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

Impact of Vetoes

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

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

SUMMARY OF 2010-11 BUDGET VETOES
SAVINGS/(COSTS)
(millions of dollars)

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

FMAP Contingency Spending Reductions

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

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

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

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

*Estimated year-end results.

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

State Operations

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

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

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

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

[10] This is separate from, and should not be confused with, Federal pass-through spending under ARRA that provides no gap-closing benefit.
[11] The Financial Plan tables presentation includes three separate Financial Plan categories: Personal Service, Non-Personal Service and General State Charges (Fringe Benefits).

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

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

Revenue Actions

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

COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2010-11 - REVENUE ACTIONS SAVINGS/(COSTS) (millions of dollars)

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

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

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

Non-Recurring Resources

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

COMBINED GENERAL FUND/HCRA GAP-CLOSING PLAN FOR 2010-11
NON-RECURRING RESOURCES SAVINGS/(COSTS)
(millions of dollars)

	2010-11
Non-Recurring Resources	**660**
Federal TANF Resources	261
Physician Excess Medical Malpractice Payment (Timing)	127
Additional New York County District Attorney Recoveries	50
Additional Department of Law Recoveries	35
School Aid Overpayment Recoveries	32
NYSHELPS Program Adjustment	19
Eliminate New Technology Seed Fund	15
Available Fund Balances/Resources	121

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

2009-10 Deficit Reduction Plan

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

2009-10 DEFICIT REDUCTION PLAN SUMMARY
SAVINGS/(COSTS)
(millions of dollars)

	2010-11	2011-12	2012-13	2013-14
Total Deficit Reduction Plan Savings	**692**	**811**	**876**	**854**
Agency Operational Reductions	**360**	**385**	**385**	**385**
Legislative Actions [1]	**332**	**426**	**491**	**469**
Health Care	177	161	201	201
Mental Hygiene	57	55	53	32
Education/Arts	39	42	43	43
Higher Education Aid	36	36	36	36
Local Government Assistance	32	32	32	32
Tier V Pension	6	20	40	60
All Other	(15)	80	86	65

[1] Includes spending reductions in other State Funds that reduce General Fund costs through transfers from the accounts where savings are realized.

Projected Closing Balances

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

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

GENERAL FUND CLOSING BALANCE
(millions of dollars)

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

2010-11 Disbursements Forecast

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

TOTAL DISBURSEMENTS - ADJUSTED FOR PAYMENT DEFERRALS AND ARRA PASS-THROUGH
(millions of dollars)

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

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

ADJUSTED STATE OPERATING FUNDS [1] SPENDING PROJECTIONS
MAJOR SOURCES OF ANNUAL CHANGE
(millions of dollars)

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

[1] Includes General Fund, State Special Revenue and Debt Service Funds.

[2] General Fund only. Fringe benefits are allocated to agency budgets outside of the General Fund.

[3] Reductions will be allocated by agency in the Mid-Year Financial Plan, following approval of early retirement and other savings plans.

2010-11 Financial Plan and OutYear Projections

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

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

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

Budget Gaps

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

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

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

Spending

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

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

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

Receipts

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

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

General Fund

OUTYEAR GENERAL FUND PROJECTIONS (ADJUSTED)
(millions of dollars)

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

State Operating Funds

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

[1] Financed with the use of existing fund balances in 2010-11. See Financial Plan Tables.

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

STATE OPERATING FUNDS SPENDING PROJECTIONS
MAJOR PROGRAM AREAS ADJUSTED FOR IMPACT OF ARRA DIRECT FEDERAL AID
(millions of dollars)

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

Grants to Local Governments

Medicaid (Department of Health)

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

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

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

[1] Excludes Medicaid spending in other State agencies, including enhanced FMAP for other state agencies.

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

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

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

School Aid

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

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

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

[1] Includes building, transportation, high cost and private special education, and BOCES.

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

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

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

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

Mental Hygiene

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

Social Services

Children and Family Services spending is expected to grow by approximately $200 million annually through 2013-14 primarily driven by growth in local claims-based programs, including child welfare. TADA spending is projected to increase by $529 million from $1.2 billion in 2010-11 to $1.7 billion by 2013-14, due to the loss of one-time TANF Emergency Contingency Fund grants that were used to support public assistance costs and the projected increase in the public assistance caseload. Based on the latest economic forecast and updated program data, the total public assistance caseload has increased in all years from 2010-11 to 2013-14 in the Enacted Budget compared to the Executive Budget.

State Operations

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

STATE OPERATING FUNDS - STATE OPERATIONS
(millions of dollars)

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

Personal Service

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

Non-Personal Service

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

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

General State Charges

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

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

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

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

Transfers to Other Funds (General Fund Basis)

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

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

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

Dedicated Highway and Bridge Trust Fund

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

2010-11 All Funds Financial Plan Forecast

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

2010-11 Receipts Forecast

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

Overview of the Revenue Situation

- The unsteady recovery of the national and New York State economies is expected to translate into receipts growth for the first time in two years. DOB anticipates that the wage growth that began early in 2010 coupled with positive corporate earnings and a projected rebound in employment later in the year should lead to positive receipts growth in 2010-11.

- After five consecutive years of growth averaging 9.5 percent per year, base receipts slipped by 3 percent in 2008-09 and plunged another 12.3 percent in 2009-10, as the result of the recession which began in 2008.

- The nascent recovery is expected to result in base receipts growth of 2.2 percent in 2010-11 and further improvement in 2011-12 after employment growth returns in earnest. The 2007-08 base receipts All Funds tax receipts peak is not expected to be reached again until 2011-12.

- The return of corporate profits in general, and the financial sector profits so vital to New York's economy in particular, are expected to result in both increases in finance and insurance sector bonuses and stepped up business tax receipts growth in 2010-11 and 2011-12.

- The forecast assumes a shift in taxable capital gains realizations from tax year 2011 into tax year 2010 (resulting in increased 2010-11 receipts) as a result of the expected sunset of preferential Federal tax rates on capital gains on December 31, 2010. If Federal action results in complete or partial continuation of lower rates for all or a portion of taxpayers, these gains will be realized over the long run, not in 2010-11.

- Absent the impact of high income provisions enacted in 2009 and 2010, estimated PIT liability plunged 16.6 percent in 2009 and is projected to increase 11.8 in 2010. The 2009 fall was the result of the continuing overall impact of the recession, and in particular, the impact on the real estate and financial sectors. The high growth rate in 2010 is due, in part, to the expected movement of wages and capital gains realizations from 2011 or later into 2010 to take advantage of expiring lower Federal tax rates. Positive wage and income growth that began in early 2010 and the employment growth anticipated to follow later in the year will also play a role.

- After a vigorous retreat during 2008-09 and 2009-10, consumer spending on taxable goods and services should improve somewhat during 2010-11, driven by increasing disposable income, employment, and a pickup in vehicle sales after a long drought. Despite this improvement, the pre-recession sales tax collections peak will not be reached until 2011-12.

- The bulk of the $4.1 billion (7.2 percent) increase in All Funds tax receipts from 2009-10 to 2010-11 is the result of the full-year impact of the 2009 and 2010 high income personal income tax provisions ($2.1 billion) and other actions taken in the 2010-11 Enacted Budget ($1.3 billion).

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

TOTAL RECEIPTS
(millions of dollars)

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

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

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

Personal Income Tax

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

[1] Excludes Transfers.

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

User Taxes and Fees

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

[1] Excludes Transfers.

[2] Receipts from motor vehicle fees and alcohol beverage control license fees are now reflected under miscellaneous receipts.

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

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

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

Business Taxes

BUSINESS TAXES
(millions of dollars)

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

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

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

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

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

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

Other Taxes

OTHER TAXES
(millions of dollars)

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

[1] Excludes Transfers.

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

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

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

Miscellaneous Receipts and Federal Grants

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

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

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

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

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

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

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

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

Enacted Budget Revenue Actions

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

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

Increased Taxes or Fee Liability

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

- **Tax Actions.** The Enacted Budget contains seven tax actions that will produce $747 million in 2010-11 All Funds revenue.

- **Loophole Closing Actions.** The Enacted Budget contains five actions that close loopholes and ensure that tax burdens are fairly distributed. These actions are expected to produce $44.0 million in additional revenue on an All Funds basis in the 2010-11 fiscal year.

- **New or Increased Fees.** The Enacted Budget contains new and increased legal fees as well as waste fees. These fees are expected to produce $44.1 million in revenue on an All Funds basis in the 2010-11 fiscal year.

Other Actions

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

- **Tax Enforcement Actions.** The Enacted Budget contains four actions that will improve tax audit and compliance activities. These actions are expected to produce $372 million in additional tax revenue on an All Funds basis in the 2010-11 fiscal year. A significant portion ($150 million) of this revenue will be generated by cigarette tax enforcement on sales by Native American tribes to non-tribal members.

- **Other Revenue Actions.** The Enacted Budget contains five other revenue actions, including expanding Quick Draw and video lottery terminal operations, and changing dormancy periods for certain types of abandoned property among other actions. These five actions are expected to produce $152 million in revenue on a General Fund basis and $202 million on an All Funds basis in the 2010-11 fiscal year.

- **New or Expanded Tax Credits/Exemptions.** The Enacted Budget contains five new or expanded tax credits at a cost of $15 million on an All Funds basis in the 2010-11 fiscal year.

- **Technical Corrections and Extenders.** The Enacted Budget contains two extenders that will maintain both the pari-mutuel tax and major provisions of the bank tax, and temporary GLB provisions and five technical corrections that will amend previously enacted items. These five actions preserve current revenue or tax benefits.

- **New or Expanded Fines.** The Enacted Budget contains two fines that help protect the State's wetlands and mineral resources. These fines are expected to produce $1 million in revenue on an All Funds basis during the 2010-11 fiscal year.

Tax Actions

ENACTED BUDGET REVENUE ACTIONS/AGREEMENT
(millions of dollars)

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

- Temporarily Reduce Sales Tax Clothing Exemption. Eliminates State sales and compensating use tax exemptions for clothing and footwear sold for less than $110 per item for the period October 1, 2010 through March 31, 2011; exempts clothing and footwear sold for less than $55 per item for the period April 1, 2011 through March 31, 2012; and restores the original exemption of $110 on April 1, 2012.

- Itemized Deduction Limitation. Decreases the percentage of allowable remaining itemized deductions from 50 percent to 25 percent for taxpayers with New York adjusted gross income of $10 million or more for tax years 2010 through 2012.

- Other Tobacco Products Increase. Increases the tobacco products tax to 75 percent of the wholesale price from 46 percent; increases the tax on snuff to $2.00 per ounce from $0.96 per ounce; and creates a new category under the tobacco products tax imposing a tax on "little cigars" at a rate equivalent to the cigarette tax rate.

- Repeal Vendor Credit for Monthly Filers. Repeals the vendor credit for monthly sales tax filers. Quarterly and annual filers will continue to receive the credit.

- Apply Sales Tax to Hotel Reseller Markup. Clarifies that room remarketers are required to collect sales and New York City occupancy taxes.

- Increase Cigarette Excise Tax by $1.60 per Pack. Increases the State cigarette excise tax from $2.75 per pack to $4.35 per pack.

- Add Back Federal Sales Tax Deduction. Requires itemizing taxpayers who elect to deduct sales tax instead of income tax for Federal purposes to reduce their New York itemized deductions by the amount of sales tax deducted for Federal purposes.

Loophole Closing Actions

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

- **Treat S Corp Gains and Installment Income as Taxable for Non-Residents.** Eliminates three related tax loopholes that allow non-residents to avoid taxation by converting underlying S Corporation assets to stock or receiving installment income after termination of S Corporation nexus to New York. Previously, gains on stock and such installment income were considered intangible income and were therefore not subject to tax for non-residents.

- **Conform to Federal Bad Debt Provisions.** Conforms the State bank tax deduction for bad debts to the calculations provided for in the Internal Revenue Code for Federal tax purposes.

- **Define Flow-Through Entities as Taxpayers for QETC and Biofuel Credit Claims.** Eliminates the ability of individual shareholders in flow-through entities (i.e. partnerships, LLCs, and S Corporations) to each claim up to the statutory cap for a taxpayer when claiming the Biofuel and QETC facilities, operations and training credits. The cap will apply to the entity, just as it does for C Corporations.

- **Treat Compensation for Past Services as Taxable for Non-Residents.** Eliminates a tax loophole that permitted a non-resident to receive income – without paying New York taxes – for past services (e.g. termination pay) conducted during a period when their employer had a New York nexus. Such income had been nontaxable.

- **Make REITs/RICs Loophole Closer Permanent.** Makes permanent the provisions that address the closely-held Real Estate Investment trusts and Regulated Investment Companies loophole, which would have otherwise expired on December 31, 2010.

New or Increased Fees

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

- **Legal Fees.** Establishes new and increased fees to fund civil legal services, indigent defense, and costs of court operations. A new $95 fee will be paid by plaintiffs (banks and credit card companies) in consumer credit cases. A new $500 "credentialing" fee will be paid by persons who sit for the bar examination and were educated outside the country. A new $190 fee will be charged at the time the index fee is paid in a foreclosure action. The criminal history search fee, which is paid when the Office of Court Administration performs background checks, will be raised from $55 to $65. The biennial bar registration fee will be raised from $350 to $375.

- **Hazardous Waste Fees.** Amends Environmental Conservation Law to consolidate two separate sliding-scale fees paid by hazardous waste generators into a single fee of $130 per ton.

- **E-Waste Fee.** Establishes a statewide electronic equipment reuse and recycling program. It will require manufacturers to accept for recycling or reuse electronic waste for which it is the manufacturer from consumers in the State and accept one piece of electronic waste if offered by a consumer, with the purchase of a piece of equipment of the same type beginning April 1, 2011. It will establish registration requirements for manufacturers of covered electronic equipment sold in the State, and require each manufacturer of covered electronic equipment to register with DEC by January 1, 2011, and pay a $5,000 registration fee; and require any person who becomes a manufacturer after January 1, 2011, to register with DEC before selling or offering for sale covered electronic equipment in the State.

Tax Enforcement Actions

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

- **Improve Audit and Compliance.** The Commissioner of Taxation and Finance will increase compliance staff and re-direct department resources to generate $221 million in additional annual revenue.

- **Native American Tax Enforcement.** Requires all cigarettes sold to Native American nations or tribes and reservation cigarette sellers to bear a tax stamp and allows the governing body of a Native American nation or tribe two options for tax-exempt sales to its tribal members.

- Require **Informational Returns for Credit and Debit Cards.** Mirrors Federal requirements by requiring certain financial institutions to also file information returns with the State annually regarding amounts of credit/debit card settlements and third-party network transactions.

- **False Claims Act.** Removes the exemption for tax fraud from the State False Claims Act, allowing citizens to bring legal action against tax cheats and share in the proceeds of the case if the action is successful.

Other Revenue Actions

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

- **Tax Credit Deferral.** Allows $2 million in aggregate credit at the taxpayer level for tax years 2010, 2011, and 2012. The total amount of credits deferred under this proposal will be paid back to taxpayers over tax years 2013, 2014, and 2015. This provision affects personal income and corporate income taxpayers. The credits impacted are business-related credits. Personal income tax credits such as the child credit and EITC are excluded.

- **Change Abandoned Property Dormancy Periods.** Reduces the dormancy period for receipts from unclaimed goods from five to three years and non-bank money orders seven to five years.

- **Repeal Private Label Credit Card Law.** Repeals Tax Law §1132(e-1), which allowed private label credit card lenders, as well as vendors who use private label credit card lenders to finance their credit card sales, to claim a sales tax credit or refund on accounts financed by or assigned to the lender that are written or charged off as uncollectible.

- **Extend VLT Hours of Operation.** Increases the authorized hours of operation of VLTs from sixteen to 20 hours a day but no later than 4 AM, reduces the commission rate paid to vendor tracks by one percent, and eliminates the sunset of the VLT program.

- **Quick Draw Hours and Sunset.** Eliminates the restriction on the number of hours that the Division of the Lottery can operate the Quick Draw lottery game and makes the Lottery's authorization to operate the game permanent.

New or Expanded Tax Credits

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

- **Narrow Affiliate Nexus Provision.** The affiliate nexus provision contained within the 2009-10 Enacted Budget is amended by narrowing the definition of a sales tax vendor by providing that certain in-State activities of an affiliate do not make the seller a vendor.

- **Expand the Low-Income Housing Tax Credit Program.** The Commissioner of the Division of Housing and Community Renewal is authorized to allocate an additional $4 million in aggregate credit awards to taxpayers that develop qualifying housing projects for low-income New Yorkers. Credits are given in equal installments for a ten-year period. As such, the total amount of credits that will be awarded from this new authorization will be $40 million.

- **Historic Properties Tax Credits.** Allows banks and insurance companies to claim the nonresidential tax credit and sunsets the higher residential and non-residential caps enacted in 2009 on December 31, 2014.

- **Livery Vehicle Sales Tax Exemption.** This provision exempts transportation delivered by livery vehicles that both originates and terminates in New York City from the State and New York City sales taxes.

- **Extend and Expand Film Tax Credit.** Provides an additional film tax credit allocation of $420 million per year for tax years 2010 through 2014, $7 million of which is dedicated to a new post-production credit. This measure also imposes various reforms to enhance the State's return on investment. They include requirements that the recipient: conduct at least 10 percent of shooting days at a qualified facility; include an end-credit acknowledging financial support from New York State or provide a New York promotional video as part of the film or DVD release in the secondary market; ensure only purchases of taxable property and services from registered sales tax vendors are eligible in the credit calculation; ensure at least 75 percent of post-production costs are incurred in New York in order to be considered a qualified cost.

- **Create Excelsior Jobs Program.** Establishes a new economic development program to provide incentives based on job creation, investment, and research and development expenditures in New York State. The new program maximizes the return on State investment by capping both total program and individual project costs, allowing only targeted industries to participate, and requiring substantial job and investment thresholds to be met and maintained prior to any project claiming benefits.

Technical Corrections and Extenders

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

- **Extend Major Provisions of the Bank Tax and Temporary GLB Provisions.** Extends for one year bank tax reform provisions from 1985 and 1987, as well as provisions that were intended to temporarily address regulatory changes from the Federal Gramm-Leach-Bliley Act.

- **Extend the Pari-Mutuel Tax.** Extends lower Pari-Mutuel tax rates for one year. Also extends by one year the rules governing the simulcasting of out-of-state races and the authorization for account wagering.

- **Make Technical Corrections to the 2009-10 Enacted Budget Empire Zones Program Changes.** Clarifies that the Legislature intended to decertify certain businesses retroactively to the 2008 tax year, clarifies reporting provisions, and allows qualified investment projects to claim the investment tax credit and employee incentive tax credit after June 30, 2010.

- **Make Technical Corrections to the 2009-10 Enforcement Provisions.** Restores nonfiling as a class E felony, changes mail response requirements for taxpayer reconciliation conferences, corrects typographical error (changes "article one" to "one article"), defines contribution of aircraft from a nonresident to new subsidiary as a retail sale (and therefore taxable), and restores requirement that IDAs file a report when they appoint an agent to manage a project.

- **Amend the Tax on Medallion Taxicab Trip.** Amends the tax on medallion taxicab rides in MCTD by requiring the medallion owner to collect and remit the 50 cent per ride tax.

- **Real Estate Investment Trusts Technical Amendments.** Clarifies that certain publicly traded REITs with fractional ownership shares in non-related United States REITs are not subject to provisions relating to "closely-held" REITs that were enacted in 2008-09.

- **Estate Tax Unified Credit Technical Amendment.** Preserves the $1 million State unified credit for 2010 despite the expiration of the Federal estate tax.

New or Increased Fines

NEW OR INCREASED FINES
(millions of dollars)

	2010-11		2011-12	
	General Fund	All Funds	General Fund	All Funds
Freshwater Wetlands Fines	-	0.7	-	0.7
Mineral Resources Fines	-	0.3	-	0.3
TOTAL NEW OR INCREASED FINES	-	**1.0**	-	**1.0**

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

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

2010-11 Financial Plan Disbursements Forecast

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

TOTAL DISBURSEMENTS - ADJUSTED FOR PAYMENT DEFERRALS AND ARRA PASS-THROUGH
(millions of dollars)

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

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

ADJUSTED STATE OPERATING FUNDS [1] SPENDING PROJECTIONS
MAJOR SOURCES OF ANNUAL CHANGE
(millions of dollars)

	2009-10	2010-11	Change
Major Functions (Annual Change)			
Health Care:			
Medicaid	11,479	11,675	196
Public Health	2,404	2,523	119
K-12 Education:			
School Aid (State Fiscal Year)	20,374	19,942	(432)
All Other Education Aid	1,693	1,663	(30)
STAR	3,414	3,300	(114)
Higher Education	8,447	8,092	(355)
Social Services:			
Temporary and Disability Assistance	1,360	1,222	(138)
Children and Family Services	2,006	2,148	142
Mental Hygiene	4,360	4,537	177
Transportation	3,941	4,433	492
General State Charges [2]	3,594	4,128	534
Debt Service	4,961	5,516	555
All Other (Annual Change)			
Local Government Aid	1,080	791	(289)
Department of Insurance	658	463	(195)
Statewide Agency Operating Reductions [3]	0	(500)	(500)
All Other	9,163	9,065	(65)
Total Adjusted State Operating Funds Spending	**78,934**	**78,998**	**97**

[1] Includes General Fund, State Special Revenue and Debt Service Funds.

[2] General Fund only. Fringe benefits are allocated to agency budgets outside of the General Fund.

[3] Reductions will be allocated by agency in the Mid-Year Financial Plan, following approval of early retirement and other savings plans.

Selected Program Measures and Assumptions

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES

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

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

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

[2] Subject to Executive Control.

[3] As Percent of Salary.

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

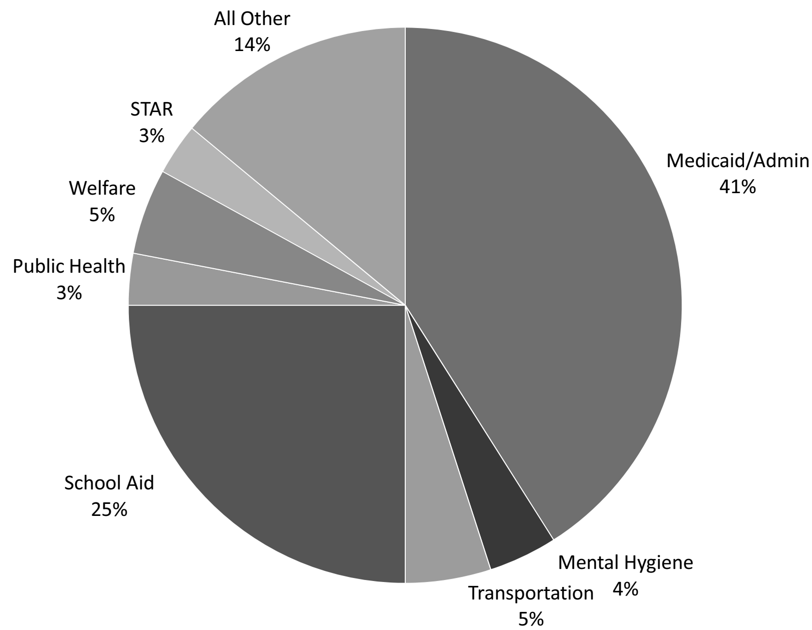
The spending forecast for each of the State's Financial Plan categories follows.

Grants to Local Governments

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

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

2010-11 All Funds Local Assistance Spending
$95.6 Billion



LOCAL ASSISTANCE SPENDING PROJECTIONS (ADJUSTED)
(millions of dollars)

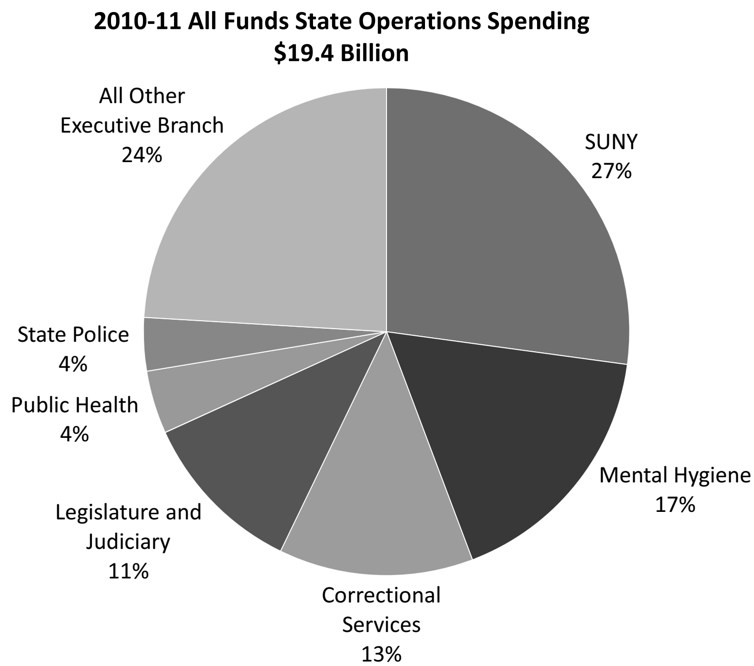
	2009-10 Results	2010-11 Enacted	Annual Change	Percent Change
General Fund	**36,294**	**35,448**	**(846)**	**-2.3%**
Other State Support	17,644	18,185	**541**	**3.1%**
State Operating Funds	**53,938**	**53,633**	**(305)**	**-0.6%**
Capital Projects Funds	1,440	1,292	**(148)**	**-10.3%**
Federal Operating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

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

LOCAL ASSISTANCE SPENDING PROJECTIONS (ADJUSTED)
MAJOR SOURCES OF ANNUAL CHANGE
(millions of dollars)

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

State Operations



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

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

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

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

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

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

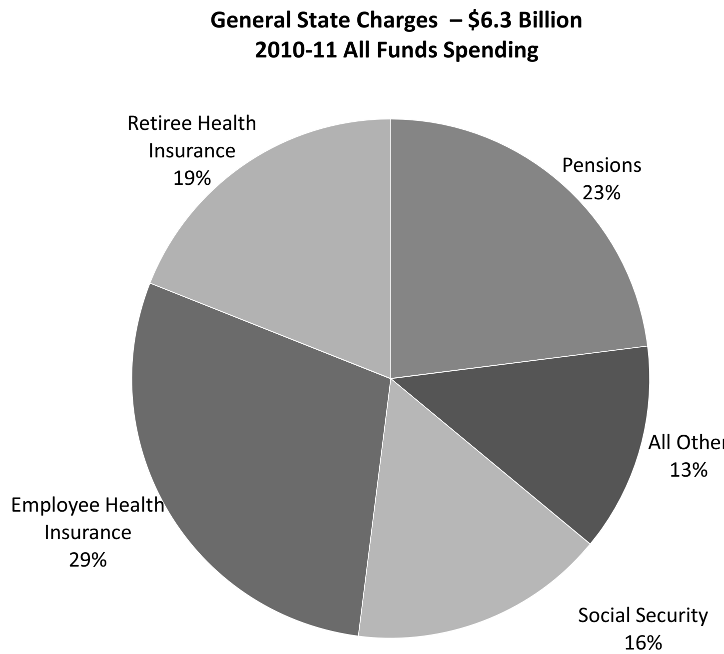
All Funds State Operations spending by category, based upon historical spending trends, is allocated among employee regular salaries (66 percent), overtime payments (2 percent), contractual services (21 percent), supplies and materials (5 percent), equipment (2 percent), employee travel (1 percent),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

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

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

General State Charges

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



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

GENERAL STATE CHARGES SPENDING PROJECTIONS
(millions of dollars)

	2009-10 Results	2010-11 Enacted	Annual Change	Percent Change
General Fund	3,594	4,128	534	14.9%
Other State Support	1,040	1,077	37	3.6%
State Operating Funds	**4,634**	**5,205**	**571**	**12.3%**
Capital Projects Funds	0	0	0	0.0%
Federal Operating Funds	1,099	1,132	33	3.0%
Total All Funds	**5,733**	**6,337**	**604**	**10.5%**

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

Current-Services

GENERAL STATE CHARGES
SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE) FROM 2009-10 TO 2010-11
(millions of dollars)

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

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

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

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

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

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

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

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

2010-11 Enacted Savings

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

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

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

Debt Service

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

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	2009-10 Results	2010-11 Enacted	Annual Change	Percent Change
General Fund	**1,844**	**1,642**	**(202)**	**-11.0%**
Other State Support	3,117	3,874	757	24.3%
State Operating Funds	**4,961**	**5,516**	**555**	**11.2%**
Total All Funds	**4,961**	**5,516**	**555**	**11.2%**

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

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

Current-Services

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

2010-11 Savings

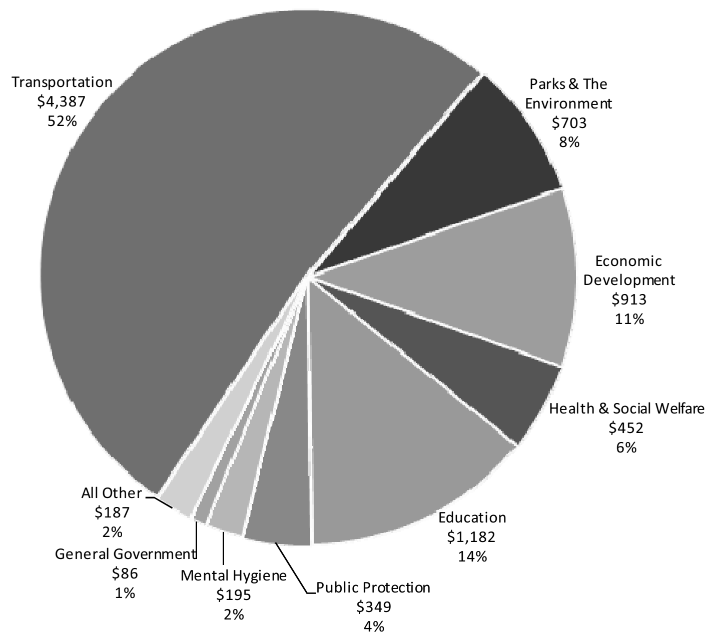
The 2010-11 Enacted Budget includes $100 million in additional debt service savings, of which approximately $40 million has been realized to date. Debt management actions may include, but are not limited to: maximizing refunding opportunities, including through consolidated service contract refundings;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

Capital Projects

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

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

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



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

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

2010-11 Recommended Savings

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

Other Financing Sources/(Uses)

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

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

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

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

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

2010-11 Operating Results Through July 2010

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

* Includes transfers from other funds after debt service.
Source: DOB.

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

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

All Funds

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

Source: DOB.

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

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

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

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

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

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

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

Source: NYS DOB

CASHFLOW
GENERAL FUND
2010-2011
(dollars in millions)

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

Source: NYS DOB

CASH DISBURSEMENTS BY FUNCTION
ALL FUNDS
(thousands of dollars)

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

CASH DISBURSEMENTS BY FUNCTION
ALL FUNDS
(thousands of dollars)

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

CASH DISBURSEMENTS BY FUNCTION
ALL FUNDS
(thousands of dollars)

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

CASH DISBURSEMENTS BY FUNCTION
ALL FUNDS
(thousands of dollars)

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

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

Source: NYS DOB

GAAP-Basis Financial Plans/GASB Statement 45

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

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

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

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

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

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

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)	1,639	1,068	2,707
2009-10 (Actual)	1,542	1,139	2,681
2010-11 (Projected)	1,826	1,195	3,021
2011-12 (Projected)	1,992	1,322	3,314
2012-13 (Projected)	2,171	1,422	3,593
2013-14 (Projected)	2,119	1,536	3,655

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

Special Considerations

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

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

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

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

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

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

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

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

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

State Cash Flow Projections

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

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

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

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

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

Federal Funding

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

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

Labor Settlements

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

Personal Care Audits

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

Other Financial Plan Risks

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

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

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Appendix C

INFORMATION ON THE STATE UNIVERSITY OF NEW YORK

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	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. 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	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

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)

Appendix E

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 adopted at the time of or subsequent to the adoption of the Resolution. 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 stating, in the opinion of Bond Counsel, that the Resolution and the applicable Series Resolution authorizing the Series of Bonds have been duly and lawfully adopted by the Authority, that the Resolution is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms, that the Resolution creates the valid pledge and the valid lien which it purports to create, subject only to the provisions of the Resolution permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Resolutions, and that the Authority is duly authorized and entitled to issue such Series of Bonds and, upon the execution and delivery thereof and upon authentication by the Trustee, such Series of Bonds will be duly and validly issued and will constitute valid and binding special obligations of the Authority entitled to the benefits of the Resolution; provided, however, that such opinion may be qualified to the extent that enforceability of rights and remedies may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally or as to the availability of any particular remedy.

(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. The provisions of this section shall be subject to the provisions of the Resolution summarized under the heading "Place and Medium of Payment" above.

(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

FORM OF APPROVING OPINION OF BOND COUNSEL

Upon delivery of the Series 2010A Bonds, Hiscock & Barclay LLP, Bond Counsel to the Authority, proposes to issue its approving opinion in substantially the following form:

September 29, 2010

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 $128,340,000 Lease Revenue Bonds (State University Dormitory Facilities Issue), Series 2010A (the "Series 2010A Bonds"). The Series 2010A 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 2010A Resolution Authorizing Up To $145,500,000 Series 2010A Bonds, adopted on July 28, 2010 (the "Series 2010 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 2010A Bonds, upon the terms and conditions set forth in the Resolution and such bonds, when issued, shall, with the Series 2010A 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 2010A Bonds is payable semiannually on January 1 and July 1 of each year, commencing on January 1, 2011. The Series 2010A Bonds mature on the dates and in the years and amounts and bear interest at the rates as set forth in the Bond Series Certificate executed in connection therewith and the Resolutions.

The Series 2010A Bonds are being issued for the purposes set forth in the Resolutions. The Series 2010A Bonds are to be issued in fully registered form in the denomination of $5,000 or any integral multiple thereof. The Series 2010A Bonds are payable, subject to redemption or purchase prior to maturity, at maturity. The Series 2010A Bonds are exchangeable and transferable 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 2010A 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 2010A Bonds.

We have examined a record of proceedings of the Authority in connection with the authorization and issuance of the Series 2010A 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 2010A Bonds in order for the interest thereon 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 2010A 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 2010 Resolution and the Agreement, respectively, to comply with the requirements of the Code, and to take the actions required of them for the interest on the Series 2010A 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 2010A Bonds thereunder.

2. The Series 2010 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 2010A 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 2010A 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, regulations, administrative rulings and court decisions as of the date hereof and assuming compliance with certain tax covenants contained in the Series 2010 Resolution and the Agreement, interest on the Series 2010A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that interest on the Series 2010A Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum taxes imposed on individuals and corporations under the Code nor is it included in the adjusted current earnings of corporations for purposes of calculating 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 2010A 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 2010A Bonds to be and to remain excluded from gross income for federal income tax purposes. We are further of the opinion that, for any Series 2010A Bonds having original issue discount ("OID") (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of 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 2010A Bonds.

6. Under existing statutes, including the Act, interest on the Series 2010A Bonds is exempt from personal income taxes imposed by the State of New York or any of its political subdivisions, 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 2010A 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 2010A Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Series 2010A Bonds, or the interest thereon, if any action is taken with respect to the Series 2010A 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 2010A Bonds except to the extent, if any, stated in the Official Statement.

We have examined a fully executed Series 2010A Bond and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,

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DORMITORY AUTHORITY OF THE STATE OF NEW YORK • LEASE REVENUE BONDS (STATE UNIVERSITY DORMITORY FACILITIES ISSUE), SERIES 2010A

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