



Special Assessment Rating Report Date:

12/04/10

Rating Type: New Issue

Issuer

Dormitory Authority of the State of New York

State

NY

CUSIP

649902

New Issue Description

\$ 102,395,000

Pledged Assessment Revenue Bonds, Series 2010A (Federally Taxable)

NI Purpose

New Money

Par Call

Non-Callable

Dated Date

Delivery Date

Sale on or about

12/2/2010

Rating & Forecast

BBB

Stop The BBR rating is lower by two full rating grades. Consider alternatives where risk is more commensurate with return.

Rating Opinion

The Fund is borrowing to pay for long and short- term liabilities. This is a choice made by the State, not a necessity. Revenue to support the very substantial amount of planned borrowing appears sufficient. The deal is designed to reduce the growth rate of assessments while at the same time encourage negotiated settlements by claimants with the Fund whose ability to settle may be enhanced by the prepayment of future assessments from proceeds of the bonds.

Security structure supporting the bonds is new, un-tested, and unique in its creativity regarding the roles of public officials. In for a penny in for a pound is not the appropriate adage for this inaugural issue of just \$100 million, maybe just to test the waters. There is a greater than average chance that the liability of the Fund (\$18.2 billion) will receive public attention. Add to that the State's unilateral ability to change bond security "if adequate provision is made for the payment of the bonds." Great, but how would bond holders enforce the "promise". It seems odd though that the State's Constitution prohibits issuance by the State of tax secured revenue bonds or any debt except voter approved general obligation bonds. This is why the market is filled with moral obligation/appropriation bonds. Now a new state level "revenue bond". They do not appear to represent value from a credit risk point of view when priced or traded above other taxable appropriation debt. They are taxable because purpose/use of proceeds may benefit commercial interests and therefore do not meet IRS requirements for federal tax exemption.

# of Direct Payors	One	NYS Workers Compensation Board Special Disability Fund
Contingent Payor(s)	None	
Security structure is :	New	

Line(s) of Business:

State Government	
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FY End (000): **12/31/2010**

Key Facts About the Issuer

Gross Revenue	\$ 607,200	Est. Proforma	Est. Proforma		
Net Revenue	\$ 270,200	Average Ann. DS	Maximum Ann. DS	MADS Year	
Debt Service Direct Debt	\$ -	\$ 508,800	\$ 508,800	Est. Level DS	See Note # 1
Coverage by Gross Revenue	0.00	1.19	1.19		
AADS % of Gross Revenue	63%	MADS % of Gross Revenue		63%	
Unrestricted Cash & Invest.	\$ -				

Proforma Debt (000) as of : **12/31/2010**

Total	\$ 102,395	Lien Position	Status	Authorized Net of This Issue	Capped
Senior	-			\$ -	\$ -
Outstanding Parity	-			\$ -	\$ -
This Issue	102,395	1st Gross	Open	\$ 4,437,605	\$ -
Subordinate	-			\$ -	\$ -
Short Term Notes	-			\$ -	\$ -
Debt Guarantees	-			\$ -	\$ -
Contingent Debt	Notional Amt.	Lien Position	% Total Debt	Counterparties	
Int. Rate Swap Payments	-		0%		
Bond Purchase Agree.	-		0%		
Parity Issue DSR Fund:	Mandatory	Req. Amount:	50% MADS	Funding:	Upfront Cash/Surety

Economic/Demographic

2009	Population	9 Year Trend	PC Income	9 Year Trend	Pop./Sq. mi.
			\$ -		
			-		

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NEW YORK	19,541,000	3.0%	46,459	34.4%	146
United States	307,006,500	9.1%	39,626	30.7%	87

Unemployment Rates	<u>11/30/05</u>	<u>11/30/07</u>	<u>11/30/09</u>	<u>11/30/10</u>
NEW YORK	4.6%	4.4%	8.7%	8.3% 30 days prior
United States	6.2%	5.3%	10.1%	9.8%

Gross Pledged Revenue (000)	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>% Total Last Yr.</u>
Assessments	\$ 452,000	\$ 501,000	\$ -	0.0%
State Insurance Fund	NA	NA	129,900	21.4%
AIG	NA	NA	67,300	11.1%
All Others	NA	NA	410,000	67.5%
Other Operating & Non-operating	-	-	-	0.0%
Interest	-	-	-	0.0%
Current Assessment Total	452,000	501,000	607,200	74.8%
Fund Balance January 1	207,000	246,000	205,000	25.2%
Total Revenue	659,000	747,000	812,200	100.0%
% Change		10.8%	21.2%	

Operating Expenses

Claims Paid	498,000	542,000	542,000	2010 Benchmark assumption
	-	-	-	
	-	-	-	
Total Expense	498,000	542,000	542,000	
% Change		8.8%	0.0%	

Net Revenue	161,000	205,000	270,200	<u>3 Yr. % Change</u> 68%
Parity Debt Service	-	-	-	
Parity Debt Service Coverage	0.00	0.00	0.00	
Unrestricted Cash & Investments	\$ -	\$ -	\$ -	
Est. Payroll, Benefits & Retirement Funding as % of Gross Revenue	< = 10%	< = 10%	< = 10%	

Bond Covenants/Regulation/Financing Plans

Parity Rate Covenant	1.10x by gross pledged revenue each year, or 150% of prior year payouts (from other than bond proceeds), whichever is greater.
Parity Additional Bonds	Promise to levy assessment in accordance with rate covenant under financing agreement between the Authority and the Chairperson of the NYS Workers Compensation Board.
Rate Regulation	None
NM Financing Plans	Up to 25% of unfunded liability (about \$4.55 billion) but that amount can be increased without consent of bondholders.

Notes

Note # 1	Proforma DS coverage is a Benchmark illustration based on issuance of \$4.0 billion of parity bonds (level DS 10 years NIC 5%) over an indeterminate period of time.
Note # 2	Debt service reserve requirement can be waived if, as a result, public rating companies would not reduce the parity credit rating.

Additional Information

The Special Disability Fund is operated within the NYS Workers Compensation Board and provides compensation to workers who suffer second work related injuries.

New Security Structure - Bonds are secured under a financing agreement between The Chair of the NYS Workers Compensation Board, DASNY, and the NYS Commissioner of Taxation and Finance who is custodian of the Special Disability Fund. The Chair, under the financing agreement, has agreed to set assessments sufficient to meet the rate covenant in the financing agreement and bond resolution. Under the Act, the financing agreement creates a pledge of assessments, i.e., the Pledged Assessments. DASNY, in turn, is authorized to issue special revenue bonds secured by a first lien on Pledged Property, which consists of the Pledged Assessments. Hence, the somewhat misleading bond description "pledged assessment revenue bonds." Bond proceeds and subsequent issues will fund claims and settlements of the Fund.

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bond description "pledged assessment revenue bonds." Bond proceeds and subsequent issues will fund claims and settlements of the Fund, and startup costs for the Waiver Agreement Management Office, The Office or (WAMO). WAMO, a new office within the Board, is charged with negotiating waiver agreements (settlements with third parties who will then assume all liability) on behalf of the Special Disability Fund. Another stated purpose of the Office is to consider "a range of alternatives for satisfying the liabilities of the Fund". The Office will requisition from DASNY proceeds from the bonds and additional parity bonds to fund claims, settlements and other related costs. Net bond proceeds will be deposited into the Revenue Fund held as security under the bond resolution and administered by DASNY. Upon a event of default on the bonds, DASNY will no longer fund the Office and can use monies in the Revenue Fund to redeem defaulted bonds. The enabling act for the issuance of the bonds limits issuance to an amount not to exceed 25% of the unfunded liability of the Special Disability Fund as of July 1 2007, which liability was approximately \$18.2 billion. The enabling act, as related to issuance amounts, pledged revenue and use of assessments can be changed by the State at any time without consent of the bondholders if "adequate provision is made for the payment of the bonds."

Background - Beginning in 1984, under new rules with respect to second injuries, the dollar amount of claims against the Fund grew rapidly. So much so that in 2007 the NYS Legislature precluded the filing of new claims for second injuries, as defined, incurred on or after July 1 2007. The ability to file a claim ended on July 1, 2010.

To date, the Board has paid claims against the Fund from annual assessments against commercial workers compensation insurers, the NYS Insurance Fund, and self-insured entities and other groups, both public and private. Delinquencies in the payment of assessments have been less than 2% for many years.

"A reduction in participation in the Fund by one class of assessment payor will result in the reallocation of assessments to the other classes in subsequent years." The method of allocating assessments varies among each class of payor. Those methods have changed recently. The changes appear to reduce the trajectory of assessments. The share of assessments paid by each class has been mostly constant in the last ten years. The State pays the NY State Insurance Fund's share of assessments.

Benchmark Protection Margin Rating: 04 - Less Than Moderate Rating Serial Number: 2848601000415 Rating Date: 12/04/10 Expires: 12/3/2015 Subscriber: First Main Investors Address: 100 Main Street Address: City: Omaha Email # 1: Zip: 44530-0005 Email # 2: State: NE Email # 3:	First Main Investors
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