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DASNY

DASNY (the Dormitory Authority of the State of New York) was created in 1944 to finance and build dormitories at State teachers' colleges to provide housing for the large influx of students returning to college on the G.I. Bill following World War II (P.L. 78-346). Since then, the New York State Legislature has expanded DASNY's scope of responsibilities on multiple occasions. Today, pursuant to the Dormitory Authority Act of the New York State Public Authorities Law (Titles 4 and 4-B of Article 8), DASNY is authorized to finance, design, construct or rehabilitate facilities for use by a variety of public and private not-for-profit entities. In more than 60 years of service to New Yorkers, DASNY has grown into one of the largest financiers and builders of public-purpose facilities in the United States.

DASNY Issues Bonds for Public and Not-For Profit Capital Projects

DASNY provides financing services to its clients in three major areas: public facilities; not-for-profit healthcare; and independent higher education and other not-for-profit institutions. DASNY issues State-supported debt, including Personal Income Tax Revenue Bonds, for the benefit of public clients such as The State University of New York, The City University of New York, the Departments of Health and Education of the State, the Office of Mental Health, the Office of People with Developmental Disabilities, the Office of Alcoholism and Substance Abuse Services, the Office of General Services and the Office of the State Comptroller. Other public clients for whom DASNY is authorized to issue debt include Boards of Cooperative Educational Services ("BOCES"), school districts and certain cities and counties for the purpose of providing court facilities. DASNY's private clients include not-for-profit independent colleges and universities, hospitals, private secondary schools, special education schools, facilities for the aged, primary care facilities, libraries, museums, research centers and entities providing services to disabled children and adults. Many of these clients are small not-for-profit corporations serving essential public purposes.

To carry out its programs, DASNY is authorized to issue and sell negotiable bonds and notes to finance the construction of facilities, major repairs and safety updates for such institutions and to issue bonds or notes to refund outstanding bonds or notes.

DASNY is a conduit debt issuer. Under existing law, and assuming continuing compliance with tax law, interest on most bonds and notes issued by DASNY has been determined to be excludable from gross income for federal tax purposes (Section 103 of the Internal Revenue Code of 1986, as amended). Such interest is also exempt from New York State income tax. All of DASNY's outstanding bonds and notes, both fixed and variable rate, are special obligations of DASNY payable solely from payments required to be made by or for the account of the client institution for which the particular special obligations were issued. DASNY has no obligation to pay its special obligations other than from such payments. DASNY has always paid the principal of and interest on all of its obligations on time and in full; however, as a conduit debt issuer, payments on DASNY's special obligations are solely dependent upon payments made by DASNY's client for which the particular special obligations were issued and the security provisions relating to those bonds.

Tax exemption for municipal debt is taken very seriously, and significant DASNY time, resources, personal oversight and professional expertise are dedicated to all phases of the public finance and/or construction project to ensure the integrity of each offering. A brief overview of DASNY's scope of services is provided in Appendix A.

Projects Financed with Tax Exempt Bonds are Critical

DASNY issues bonds for important governmental and not-for-profit projects large and small in New York City as well as cities, towns and villages throughout the rest of the state. These projects are critical to the communities they serve.

For example, DASNY worked with Memorial Sloan Kettering Cancer Center to finance the renovation and equipping of a clinic in Harrison, New York. The site offers comprehensive ambulatory oncology services including medical, neurologic and radiation oncology and comprehensive diagnostic radiology. North Shore-Long Island Jewish Health Systems used the proceeds of tax-exempt bonds to help replace 115 beds at its Zucker Hillside Hospital, and to assist in the construction of an education and conference center at is Staten Island University Hospital and a parking facility at its Huntington Hospital. DASNY also issued tax-exempt bonds for two Cerebral Palsy affiliates – New York State UCP and Franziska Racker Centers – to fund the construction costs associated with the development of a replacement Diagnostic and Treatment Center and a Day Program facility as well as refinance certain mortgage loans on properties operated under the Center's Residential Program.

Not-for-profit hospitals, in particular, are already facing significant economic pressures. Moody's Investors Service has stated that the U.S. not-for-profit hospital outlook remains negative in 2013. Moody's cited fiscal pressures from federal cuts, such as more than $300 billion in Medicare cuts through 2019, and limited payment increases from insurers. (Source: Healthcare Financial Management Association). Hospitals provide vitally needed services to their communities and quality jobs for their employees.

DASNY also issues bonds on behalf of many State entities for critical governmental projects. We issue tax-exempt bonds through the State's Personal Income Tax Revenue Bond program on behalf of the State University of New York (SUNY) for its educational and hospital facilities and for the City University of New York (CUNY) for its senior college and community college facilities. SUNY is the largest public university system in the nation with 64 campuses offering a complete range of academic, professional and vocational programs. CUNY is the nation's largest urban public university system. The University's mission is to provide affordable higher education with a focus on the urban community of New York City.

Both public and private universities are assets to their local economies, especially because they employ local workers and tend to utilize local goods and services. The higher-education sector also tends to contribute stability to a region since it's less susceptible to downturns than other sectors of the economy. (Source: How Colleges and Universities Can Help Their Local Economies, Jason R. Abel and Richard Deitz, 2/13/12)

We also issue tax-exempt bonds through the Personal Income Tax (PIT) Program for State and voluntary agency facilities for the Office of Mental Health (OMH) and the Office of Alcoholism and Substance Abuse Services (OASAS). OMH provides critical community and inpatient mental health services, and supports treatment for individuals who may have difficulty living safely in the community without close monitoring and mandatory treatment. OASAS supports a comprehensive system of prevention, treatment, and recovery serving more than 250,000 individuals with chemical dependencies and problem gambling issues annually.

In 2012, DASNY was ranked the largest municipal issuer by the Bond Buyer. As of December 31, 2012, DASNY had over $46 billion in bonds outstanding issued for critical public and not-for-profit projects throughout the State of New York. Of these bonds approximately 38 percent were issued for private not-for-profit borrowers, including hospitals, facilities for the aged independent colleges and universities and other not-for-profits. The remaining 62percent were issued for public projects. It is estimated that 10 jobs are created for every $1 million of municipal bonds issued. In State Fiscal year 2011-12 DASNY issued over $5.1 billion in bonds, accounting for 51,000 jobs. Please see Appendix B for a complete list of bonds issued in State fiscal year 2011-12.

The Importance of Preserving the Tax-Exempt Status of Municipal Bonds

From a historical perspective, the federal tax-exemption on municipal bond interest has been in place since the income tax was enacted in 1913. They are one of the country's most important sources of financing for infrastructure investment. The tax-exempt nature of these bonds allows state and local governments to save, on average, as much as two percentage points on their borrowing to finance investment in critical public infrastructure. Municipal bonds represent a partnership among the federal government, state and local governments and private investors in contributing to public infrastructure.

Tax-exempt municipal bonds are an important financing tool used to meet public infrastructure needs – including highways, bridges, local streets, public transit, airports, water and sewer, general acute-care hospitals, primary and secondary schools, court facilities and county jails. Municipal bonds are one of the few tools available to Governors, Mayors, and other municipal leaders to finance critical infrastructure across the country. They have generated trillions of dollars in the investment of critical public infrastructure and have saved state and local governments hundreds of billions in interest costs. Moreover, the use of borrowed private capital means that infrastructure that would otherwise have to be paid for with tax revenues can continue to be financed and built now. These investments create jobs and improve economic efficiency.

Consequences of Eliminating or Reducing the Benefit of the Tax-Exemption
Eliminating the deduction or including it as part of any cap on deductions would increase the borrowing costs that public entities will have to pay for infrastructure improvements. The effect will be increased costs to the public for infrastructure and therefore less funding for teachers, fire and police officers, hospital workers, librarians, and construction and maintenance workers. Any change to the tax-exempt status of municipal bonds will ultimately result in less overall infrastructure spending, fewer jobs and dampened economic activity.

Proposals to eliminate or cap the tax exempt status of municipal bonds will have a disproportionate effect on New York State in a time of severe fiscal stress. Over the past decade New York ranked third, behind California and Texas, in the dollar value of tax-exempt debt issuance. In FY2012, New York State's public authorities issued over $19.5 billion in municipal bonds. It is estimated that 10 jobs are created for every $1 million of municipal bonds issued. In New York State this accounted for 195,000 jobs in FY2012. Over the next 20 years it is estimated that New York will have more than $80 billion in unmet critical infrastructure needs. (Source: "Multimodal Investment Needs & Goals For the Future," New York State Department of Transportation and Wastewater, "Infrastructure Needs of New York State," New York State Department of Environmental Conservation, March 2008. "Drinking Water Infrastructure Needs of New York State," New York State Department of Health, November 2008.)

New York State currently meets a significant portion of its infrastructure needs through the use of tax-exempt bonds. In FY2011-12 over $19.5 billion of tax exempt bonds were issued by the following issuers:

- Metropolitan Transportation Authority - $7.9 billion
- Dormitory Authority of New York State - $5.1 Billion
- NYS Thruway Authority – $3.6 Billion
- HCR 2012 Housing Bonds - $2 Billion (largest state housing agency bond issuer in the country)
- Long Island Power Authority - $502 Million
- Empire State Development Corporation - $400 Million
- New York State Environmental Facilities Corporation - $113 Million
- New York Power Authority - $108 Million

Problematic Municipal Bond Proposals:
The four main proposals affecting the tax exemption of municipal bonds are:

I. **Capping deductions/exclusions at 28%:** Beginning with the 2011 American Jobs Act, the FY 2012 Budget and various iterations of the President's fiscal cliff proposals include a surtax on interest paid on municipal bonds of up to 11.6% for those with incomes above a certain threshold (the effect of this proposal is to "cap" the tax value of bond interest at 28%)

Problem: This surtax would raise interest rates, from 30 to 60 basis points, but would not raise the anticipated federal revenue levels. In response, investors would most likely adapt to the new rules and adjust their portfolios, shifting money to other low- or no-tax options. This action would lower federal revenue projections and increase the interest rates demanded by those investors who remain with exposure to tax-exempt debt. Furthermore, if a cap were applied retroactively it would hurt secondary market values for all bondholders by as much as $200 billion and would change the contractual terms of outstanding bonds for investors and thus create legal and market disruptions that could put issuers at risk. (Source: Municipal Market Advisors, 2013)

II. **Tax-credit or Direct Subsidy Conversion:** This method, modeled on the Build America Bond (BABs) program under the American Reinvestment and Recovery Act (ARRA), would tax interest on newly issued municipal bonds, but provide either at tax credit for bond holders or a direct payment (equal to a percentage of interest paid) to the issuer.

Problem: 47,000 state and local issuers would be thrown into a taxable bond market (and so many smaller issuers might be denied timely access to capital) and at the very least would see interest rate increases on new bonds (even net of any payment or tax credit). Any subsequent changes (such as sequestration or tax reform) would come at the expense of issuers -- either from diminished payments or investor backlash.

III. **Eliminating the Tax Exemption:** In 2010, the Simpson-Bowles Commission offered a proposal to eliminate all tax loopholes, including the tax-exempt status of municipal bonds. A Joint Committee on Taxation “experiment” released in October 2012 included a similar proposal, estimating that the new tax on municipal bonds would raise $124 billion over the next decade.

Problem: The cost of borrowing would rise and therefore the financing of infrastructure would become more expensive for states and local governments. This would have a chilling effect on new capital projects, lost jobs, reduced economic growth and higher taxes on citizens to cover high yields that investors would demand to compensate for the lost tax-exemption.

IV. **Capping deductions/exclusions at $50,000:** This method would tax bond interest when itemized deductions, excluded income such as employer contributions to health care, and bond interest combined exceeded a flat-dollar cap of $50,000.

Problem: The amount of itemized deductions and excluded income dwarves the amount of bond interest excluded by taxpayers. As a result, these deductions and exclusions under a “hard dollar” cap will “crowd out” municipal bond interest, effectively making that interest taxable for most bond holders. The result for issuers would be interest rate increases on par with those that would result if the interest exclusion were repealed.

CONCLUSION

Not-for-profit health and education institutions and state and local governments would bear much of the burden of proposals that would significantly raise borrowing costs, hamper their ability to meet our country's education, health and infrastructure needs and raise taxes. Additionally, many smaller not-for-profits may not have access to ANY markets. Larger or highly rated entities might be able to access the taxable market or acquire traditional bank loans, but at a significantly increased cost.

There is no disagreement that all the proposals being considered will increase state and local borrowing costs: the only questions are by how many billions will state and local taxes have to be increased -- or state and local services have to be cut -- as a result.

Appendix A – DASNY’s Scope of Services

DASNY’s Public Finance division is the focal point for DASNY financings, working with DASNY customers to determine the feasibility and structure of financings and overseeing issuance to help obtain the lowest cost of capital for DASNY customers. After our bonds are issued, the Portfolio Monitoring Division monitors the financial and operating performance of health care, higher education and other non-profit clients for whom DASNY has provided financing, and reviews compliance by these clients with the requirements contained in the financing documents. It also manages DASNY's response to loan or covenant violations and implements financial work-out plans, particularly for some of our health care clients.

DASNY staff in the Finance Department monitor payments, disbursements, coordinate with bond trustees and monitor tax code compliance issues such as yield restrictions on investments and the calculation and payment of arbitrage rebate.

DASNY employs a full-time Legal Department with expertise in all relevant public finance and construction areas, and access to a panel of over forty nationally-ranked external bond counsel, underwriters counsel, litigation and bankruptcy/workout counsel, and real estate, environmental and construction counsel as needed on a case-by-case basis. Together these experts support DASNY’s public finance and construction objectives, and monitor compliance with applicable local, county, state and federal requirements.

In addition to its work in public finance, DASNY oversees a portfolio of more than 750 construction projects worth more than $6 billion. During fiscal year 2011-2012, DASNY managed more than $990.2 million on construction projects. DASNY offers a full range of construction services, often acting as the customer's agent to protect the customer's interests during both design and construction phases. From design to completion of construction, DASNY staff manages the project to see that it is built on time and within budget.

Appendix 2 - Bonds delivered during the fiscal year ended March 31, 2011

Issue and Purpose	Amount
Coburg Village, Inc. Private Placement Bonds, Series 2011 The Series 2011 Bonds were issued to finance the construction of an expansion project at the Institution, including 78 new apartments, as well as an expanded dining facility, fitness center, art studio, and auditorium. (December 19, 2011)	**$19,585,000**
Department of Health of the State of New York Revenue Refunding Bonds, Series 2011A The Series 2011A Bonds were issued to refund all of the outstanding Department of Health of the State of New York Revenue Refunding Bonds, Series 1998 Bonds and a portion of the Department of Health of the State of New York Revenue Bonds, Series 1999A Bonds. (July 13, 2011)	**$48,180,000**
Fordham University Revenue Bonds, Series 2011A-B The Series 2011 Bonds were issued to finance a portion of the costs for the construction of a new Law School building and a 430-bed residence hall and renovations to a book storage area in the existing Quinn Library. (April 28, 2011)	**$146,645,000**
Haverstraw King's Daughters Public Library Revenue Bonds, Series 2011 The 2011 Bonds were issued to current refund the Haverstraw King's Daughters Public Library Insured Revenue Bonds, Series 2001. (September 22, 2011)	**$8,475,000**
InterAgency Council Pooled Loan Program Revenue Bonds, Series 2011A-1 and Series 2011A-2 The Series 2011A-1 and A-2 Bonds were issued to refinance existing bank loans for the following three members of IAC; Lifespire, Inc., Paul J. Cooper Center for Human Services, Inc. and Wildwood Programs, Inc. The bank loans to be refinanced were originally for the acquisition, renovation and equipping of buildings to be used as residences for developmentally disabled adults. (August 17, 2011)	**$3,895,000**
InterAgency Council Pooled Loan Program Private Placement Bonds, Series 2011B-1 and Series 2011B-2 The Series 2011B Bonds were issued to refinance existing bank loans for PSCH, Inc. which is a member of IAC. The bank loans to be refinanced were originally for the acquisition, renovation and equipping of buildings to be used as residences for developmentally disabled adults as well as building acquisitions and renovations for its administrative functions. (August 17, 2011)	**$9,195,000**
InterAgency Council Pooled Loan Program Private Placement Bonds, Series 2012A-1 and Series 2012A-2 The Series 2012A-1 and A-2 Bonds were issued to refinance outstanding indebtedness or reimbursement of cash expenditures incurred by five IAC members including: Birch Family Services, Inc.; Federation Employment & Guidance Service, Inc.; Program Development Services, Inc.; SUS – Developmental Disabilities Services, Inc. and Services for the Underserved; and United Cerebral Palsy of New York City, Inc. (March 29, 2012)	**$12,745,000**
Lease Revenue Bonds (State University Dormitory Facilities Issue), Series 2011A The Series 2011A Bonds were issued to finance numerous dormitory facilities for students at the University, and related attendant facilities. (July 6, 2011)	**$260,000,000**
Master BOCES Program Lease Revenue Refunding Bonds (Nassau County Issue), Series 2011 The 2011 Bonds were issued to refund all of the Institution's outstanding Series 2001A Bonds and a portion of the Series 2003 Bonds. (May 25, 2011)	**$24,785,000**
Master BOCES Program Lease Revenue Bonds (St. Lawrence-Lewis Issue), Series 2011 The Series 2011 Bonds were issued to finance the acquisition, renovation and equipping of an approximately 70,000 square foot one-story former nursing home located at 40 West Main Street in Canton for use as a primary administrative office building for the St. Lawrence-Lewis BOCES. (July 22, 2011)	**$6,800,000**
Memorial Sloan-Kettering Cancer Center Revenue Bonds, 2012 Series 1 The 2012 Series 1 Bonds were issued to refund all or a portion of the Authority's Memorial Sloan-Kettering Cancer Center Revenue Bonds, 2003 Series Bonds. (February 16, 2012)	**$262,265,000**
Memorial Sloan-Kettering Cancer Center Revenue Bonds, Series 2012 The Series 2012 Bonds were issued to pay all or a portion of the costs of constructing, improving and equipping of an ambulatory care facility in Harrison, New York. (February 16, 2012)	**$89,525,000**
Mount Sinai Hospital Obligated Group Revenue Bonds, Series 2011A The 2011A Bonds were issued to finance certain health care facilities of the Hospital, including the construction, renovation and equipping of certain floors of the Center for Science and Medicine. (October 27, 2011)	**$65,390,000**
The New School Revenue Bonds, Series 2011 The 2011 Bonds were issued to refund all or a portion of the Authority's New School University Insured Revenue Bonds, Series 1999 and Series 2001 Bonds. (October 20, 2011)	**$35,480,000**
North Shore – Long Island Jewish Obligated Group Revenue Bonds, Series 2011A	**$392,200,000**

The Series 2011A Bonds were issued to finance the cost of the construction at Zucker Hillside Hospital to replace 115 beds, the construction at Staten Island University Hospital of an education and conference center and the construction of a parking garage at Huntington Hospital. In addition, the 2011A Bonds were issued to refinance certain outstanding indebtedness of Franklin Hospital, Southside Hospital, Staten Island University Hospital, Huntington Hospital and Lenox Hill Hospital with the objective of bringing them into the Obligated Group and to extend the maturity of the existing debt. (October 6, 2011)

Personal Income Tax Revenue Bonds (General Purpose), Series 2011A and Series 2011B The Series 2011A Bonds were issued to finance certain State matching grants under the Higher Education Capital Matching Grant Program, certain capital grants under the Healthcare Efficiency and Affordability Law for New Yorkers Capital Grant Program, capital projects of the City University of New York senior and community college facilities, grants under the Expanding our Children's Education and Learning program, contributions to the costs of the remediation of hazardous waste sites and various environmental infrastructure projects. The Series 2011B bonds were issued to finance certain required State matching contributions made to the Water Pollution Control Revolving Fund. (June 9, 2011)	**$673,630,000**
Personal Income Tax Revenue Bonds (General Purpose), Series 2011C and Series 2011D The Series 2011C Bonds were issued to finance certain capital projects of the State University of New York and grants under the Expanding Our Children's Education and Learning program. The Series 2011D Bonds were issued to finance certain capital projects of the State University of New York. (July 21, 2011)	**$909,425,000**
Personal Income Tax Revenue Bonds (General Purpose), Series 2011E and Series 2011F The Series 2011E Bonds were issued to finance grants to libraries, State and voluntary agency facilities for the Office of Mental Health, the Office for Persons with Developmental Disabilities, and the Office of Alcoholism and Substance Abuse Services, construction of a State Court Officers Training Academy, implementation of a State longitudinal data system, and economic development grants under various programs, including but not limited to, the Community Capital Assistance Program, the New York Economic Development Assistance program (NYEDAP), the New York State Capital Assistance Program, the New York Economic Development Capital Program (NYSCAP), the New York Economic Development Program (NYEDP), the New York State Regional Economic Development Program (RED), the New York State Technology and Development Program and the New York State Strategic Investment Program (SIP). The Series 2011F Bonds were issued to finance economic development grants under various programs, including but not limited to NYSCAP, NYEDAP, NYEDP, RED and SIP. (October 13, 2011)	**$514,325,000**
Personal Income Tax Revenue Bonds (General Purpose), Series 2011G The Series 2011G Bonds were issued to finance voluntary agency facilities for the Office of Mental Health. (December 8, 2011)	**$38,405,000**
Revenue Refunding Bonds (Department of Health Veterans Home Issue), Series 2011A The Series 2011A Bonds were issued to refund the outstanding Revenue Bonds (Department of Health Veterans Home Issue), Series 1996 Bonds. (July 13, 2011)	**$11,535,000**
Rockefeller University Revenue Bonds, Series 2012A The Series 2012A Bonds were issued to current refund all of the Authority's outstanding Rockefeller University Revenue Bonds, Series 1998. (March 8, 2012)	**$26,465,000**
Ryan/Chelsea-Clinton Community Health Center, Inc. Revenue Bonds, Series 2012 The 2012 Bonds were issued to refund all of the outstanding Dormitory Authority State of New York Ryan/Clinton Community Health Center, Inc. Revenue Bonds, Series 1999. (February 22, 2012)	**$6,175,000**
School Districts Revenue Bond Financing Program Revenue Bonds, Series 2011A-D The 2011 Bonds were issued to finance all or a portion of the costs of school district capital facilities and school district capital equipment and/or to refinance certain bond anticipation notes issued to finance all or a portion of the costs of school district capital facilities and school district capital equipment. (June 8, 2011)	**$327,315,000**
School Districts Revenue Bond Financing Program Revenue Bonds, Series 2011E-H The 2011 Bonds were issued to finance all or a portion of the costs of school district capital facilities and school district capital equipment and/or to refinance certain bond anticipation notes issued to finance all or a portion of the costs of school district capital facilities and school district capital equipment. (December 15, 2011)	**$134,400,000**
Third General Resolution Revenue Bonds (State University Educational Facilities Issue), Series 2012A The 2012 Bonds were issued to refund the Third General Resolution Revenue Bonds (State University Educational Facilities Issue), Series 2002B. (February 23, 2012)	**$838,100,000**
Trevor Day School Private Placement Bonds, Series 2011 The 2011 Bonds were issued to refinance a bank loan used to purchase 312-318 East 95th Street, in Manhattan and for the construction of a new 12-story school building serving grades 7-12 of Trevor Day School. (July 29, 2011)	**$65,500,000**
Yeshiva University Revenue Bonds, Series 2011A The Series 2011A Bonds were issued to finance various campus-wide renovations and deferred maintenance projects, to refinance a line of credit, and to current refund a portion of the outstanding Yeshiva University Insured Revenue Bonds, Series 2001. (September 28, 2011)	**$90,000,000**
Total	**$5,020,440,000**