NEW ISSUE

$838,100,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
THIRD GENERAL RESOLUTION REVENUE BONDS
(STATE UNIVERSITY EDUCATIONAL FACILITIES ISSUE),
SERIES 2012A

Dated: Date of Delivery **Due: May 15, as shown below**

Payment and Security: The Third General Resolution Revenue Bonds (State University Educational Facilities Issue), Series 2012A (the "Series 2012A 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 2012A Bonds are payable primarily from the Annual Payments to be made by the State University Construction Fund (the "Fund") under the Financing Agreement among the Authority, the Fund and the State University of New York (the "University" or "SUNY") dated as of September 4, 2002 (the "2002 Agreement"). The Act provides that the State of New York (the "State") is to appropriate annually and pay to the Fund amounts sufficient to enable the Fund to make Annual Payments as they become due. The obligation of the State to pay such amounts to the Fund is subject to, and dependent upon, the making of annual appropriations by the New York State Legislature for such purpose and the availability of money for such payments. See "PART 4 - SOURCES OF PAYMENT AND SECURITY" herein.

The Series 2012A Bonds will not be a debt of the State of New York nor will the State be liable thereon. The Authority has no taxing power.

Description: The Series 2012A Bonds will be issued as fully registered securities in denominations of $5,000 or any integral multiple thereof. Interest on the Series 2012A Bonds will be payable each May 15 and November 15, commencing November 15, 2012.

The Series 2012A 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 2012A Bonds will be made in Book-Entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2012A Bonds, payments of the principal and Redemption Price of and interest on the Series 2012A 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 the DTC participants. See "PART 2 - THE SERIES 2012A BONDS - Book-Entry Only System" herein.

Redemption and Purchase: The Series 2012A Bonds are subject to redemption and purchase in lieu of redemption prior to maturity as described herein.

Tax Exemption: In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein and the accuracy of certain representations and certifications made by the Authority and described herein, interest on the Series 2012A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Bond Counsel is further of the opinion that interest on the Series 2012A 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 12 - TAX MATTERS" herein.

Due May 15	Amount	Interest Rate	Yield	CUSIP[1]	Due May 15	Amount	Interest Rate	Yield	CUSIP[1]
2014	$ 9,990,000	3.00%	0.450%	64990HMB3	2020	$29,130,000	5.00%	2.010%	64990HMZ0
2015	8,280,000	3.00	0.700	64990HMC1	2021	12,815,000	4.00	2.220	64990HMJ6
2015	7,275,000	4.00	0.700	64990HMU1	2021	43,205,000	5.00	2.220	64990HNA4
2016	3,115,000	3.00	0.880	64990HMD9	2022	16,090,000	4.00	2.390	64990HMK3
2016	7,660,000	4.00	0.880	64990HMV9	2022	42,885,000	5.00	2.390	64990HNB2
2017	3,400,000	3.00	1.100	64990HME7	2023	56,095,000	5.00	2.550*	64990HML1
2017	35,470,000	4.00	1.100	64990HMW7	2024	61,385,000	5.00	2.660*	64990HMM9
2017	27,325,000	5.00	1.100	64990HNC0	2025	73,040,000	5.00	2.750*	64990HMN7
2018	7,450,000	3.00	1.470	64990HMF4	2026	71,445,000	5.00	2.850*	64990HMP2
2018	30,590,000	4.00	1.470	64990HMX5	2027	65,030,000	5.00	2.940*	64990HMQ0
2018	34,350,000	5.00	1.470	64990HND8	2028	30,000,000	4.00	3.210*	64990HMR8
2019	31,535,000	4.00	1.750	64990HMG2	2028	23,485,000	5.00	3.010*	64990HNE6
2019	21,335,000	5.00	1.750	64990HMY3	2029	36,660,000	5.00	3.070*	64990HMS6
2020	28,520,000	4.00	2.010	64990HMH0	2030	20,540,000	5.00	3.150*	64990HMT4

* Priced to the May 15, 2022 optional redemption date.

The Series 2012A Bonds are offered when, as and if issued. The offer of the Series 2012A 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 Nixon Peabody LLP, New York, New York, Bond Counsel to the Authority, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., New York, New York, Counsel to the Underwriters. The Authority expects to deliver the Series 2012A Bonds in New York, New York, on or about February 23, 2012.

Citigroup **Morgan Stanley**

BofA Merrill Lynch	**BB&T Capital Markets**	**Blaylock Robert Van, LLC**
Cabrera Capital Markets LLC	**Duncan-Williams, Inc.**	**Fidelity Capital Markets Services**
Goldman, Sachs & Co.	**Grigsby & Associates, Inc.**	**Jackson Securities**
Janney Montgomery Scott LLC	**Jefferies**	**J.P. Morgan**
KeyBanc Capital Markets Inc.	**Lebenthal & Co., LLC**	**Loop Capital Markets LLC**
MR Beal & Company	**Morgan Keegan & Company**	**Oppenheimer & Co., Inc.**
Piper Jaffray & Co.	**Prager & Co., LLC**	**RBC Capital Markets, LLC**
Ramirez & Co., Inc.	**Raymond James & Associates, Inc.**	**Rice Financial Products Company**
Roosevelt & Cross, Incorporated	**Siebert Brandford Shank & Co., LLC**	**Southwest Securities, Inc.**
Sterne, Agee & Leach, Inc.	**Stifel, Nicolaus & Company, Inc**	**TD Securities (USA) LLC**

February 15, 2012

[1] CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2012A Bonds and neither the Authority, the Underwriters nor the Trustee makes any representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2012A 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 2012A Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority, the University, the Fund, the State or the Underwriters to give any information or to make any representations with respect to the Series 2012A 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 University, the Fund or the State.

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 2012A 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 Fund, the University and the State Division of the Budget, 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 20 - SOURCES OF INFORMATION AND CERTIFICATIONS" for a schedule indicating the information provided by the various sources.

References in the Official Statement to the Act, the 2002 Resolution, the Series Resolution and the 2002 Agreement do not purport to be complete. Refer to the Act, the 2002 Resolution, the Series Resolution and the 2002 Agreement for full and complete details of their provisions. Copies of the 2002 Resolution, the Series Resolution and the 2002 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 a determination of relevance, materiality or importance, and all material in this 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 Fund, the University or the State have remained unchanged after the date of this Official Statement.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction but the Underwriters do not guaranty the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2012A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2012A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

OFFICIAL STATEMENT RELATING TO
$838,100,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
THIRD GENERAL RESOLUTION REVENUE BONDS
(STATE UNIVERSITY EDUCATIONAL FACILITIES ISSUE),
SERIES 2012A

PART 1 - INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page and appendices, is to provide information about the Authority, the Fund, the University and the State, all in connection with the offering by the Authority of $838,100,000 aggregate principal amount of its Third General Resolution Revenue Bonds (State University Educational Facilities Issue), Series 2012A (the “Series 2012A Bonds”).

The following is a brief description of certain information concerning the Series 2012A Bonds, the Authority, the Fund and the University. A more complete description of such information and additional information that may affect decisions to invest in the Series 2012A Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issue

The Series 2012A Bonds are being issued (i) to refund the Third General Resolution Revenue Bonds (State University Educational Facilities Issue), Series 2002B issued by the Authority pursuant to the 2002 Resolution (as defined herein) (the “Refunded Bonds”), and (ii) to pay the Costs of Issuance of the Series 2012A Bonds. See “PART 5 - ESTIMATED SOURCES AND USES OF FUNDS” and “PART 6 - THE REFUNDING PLAN” herein.

Authorization of Issuance

The Series 2012A Bonds will be issued pursuant to the Third General Revenue Obligation Resolution (State University Educational Facilities Issue), adopted September 4, 2002 (the “2002 Resolution”), a Series Resolution authorizing the Series 2012A Bonds, adopted September 21, 2011 (the “Series Resolution”), and the Act. In addition to the Series 2012A Bonds, the 2002 Resolution authorizes the issuance of other Series of Bonds to finance the refunding of certain obligations of the Authority and other Costs of the Project and for such other purposes as are authorized by the 2002 Resolution. All

Obligations issued under the 2002 Resolution will rank on a parity with each other and will be secured equally and ratably with each other.

In addition to the 2002 Resolution, the Revenue Obligation Resolution (State University Educational Facilities Issue), adopted May 31, 1989 (the "1989 Resolution"), as amended and supplemented, and the Revenue Obligation Resolution (State University Educational Facilities Issue) adopted October 27, 1999 (the "1999 Resolution," and collectively with the 1989 Resolution, the "Prior Resolutions"), as amended and supplemented, each authorizes the issuance of other series of bonds to finance the costs of the Facilities for the University, the refunding of certain obligations of the Authority and for such other purposes as are authorized by the Prior Resolutions. The Authority also reserves the right to issue additional obligations for the University or the Fund under other resolutions that have been, or may be, adopted from time to time.

The Authority last issued its Third General Resolution Revenue Bonds (State University Educational Facilities Issue) under the 2002 Resolution in 2005 in the aggregate principal amount of $172,025,000.

Payment of the Series 2012A Bonds

The principal and Redemption Price of and interest on the Series 2012A Bonds are payable primarily from the Annual Payments to be made by the Fund to the Authority under the 2002 Agreement. The Annual Payments are expected to be paid in full from appropriations to be made by the State pursuant to the Act. Amounts paid to the Fund pursuant to such appropriations or from money appropriated and paid by the State for or on account of the operating expenses of the University and payable to the Fund constitute the Fund Resources. The Fund's obligation to make the Annual Payments is a general and unconditional obligation of the Fund payable from any money legally available to it. However, the Fund has no significant sources of money, other than the Fund Resources, which are available for such Annual Payments. See "PART 4 - SOURCES OF PAYMENT AND SECURITY - Payment of the Obligations - *Fund Resources*" herein.

State Appropriations

The Act provides that the State appropriate and pay annually to the Fund an amount of money sufficient for the Fund to make Annual Payments to the Authority pursuant to the Financing Agreement among the Authority, the Fund and the University, dated as of September 4, 2002 (the "2002 Agreement"). In the event the State fails to pay to the Fund, when due, all or any part of the amount to be appropriated by the State for Annual Payments, the Act directs the State Comptroller to make such payments to the Fund from money appropriated by the State for or on account of the operating expenses of the University.

The State is not legally required to make all or any part of any such appropriations, and the State may not make any payment except pursuant to an appropriation. If, however, appropriations are made (and such appropriations have not lapsed or been repealed) and money is available therefor, the State Comptroller and other appropriate officials of the State are legally obligated to make the above-described payments to the Fund.

Security for the Series 2012A Bonds

The Obligations issued under the 2002 Resolution, including the Series 2012A Bonds, are secured by the pledge of the Revenues, which include the Annual Payments to be made pursuant to the 2002 Agreement, the proceeds of all Obligations issued under the 2002 Resolution, including the Series 2012A Bonds, until disbursed and, except as otherwise provided by the 2002 Resolution, all funds and accounts established by the 2002 Resolution (other than the Arbitrage Rebate Fund).

Other Obligations Separately Secured

The Authority, from time to time, has issued obligations under other separate resolutions to finance Facilities for the University, which are payable from and secured by annual payments and other payments to be made by the Fund. After the issuance of the Series 2012A Bonds and giving effect to the refunding of the Refunded Bonds, there will be approximately $1.9 billion aggregate principal amount of obligations outstanding under the three resolutions, comprised of approximately $793 million under the 1989 Resolution, $21 million under the 1999 Resolution, and $1.1 billion under the 2002 Resolution. The money paid by the Fund pursuant to a particular agreement, including the agreements entered into in connection with the 1989, 1999 and 2002 Resolutions (respectively, the "1989, 1999 and 2002 Agreements"), with the Authority, are pledged by the Authority for the payment of only obligations issued under the related resolution, and are not available for the payment of obligations issued under any other resolution. In addition, the Authority has reserved the right to incur obligations to the provider of a credit facility or liquidity facility which are payable from and secured by such revenues on a parity with the obligations issued under the Prior Resolutions and the 2002 Resolution.

Notwithstanding the foregoing, if the State were to make payments either as appropriated directly to the Fund or from operating expenses of the University to the Fund which were not sufficient to enable the Fund to pay the Annual Payments under the 2002 Agreement and other payments under the 1989 and 1999 Agreements, and if the appropriation, pursuant to which the payments were to be made, was not clearly designated to have been made on account of the Annual Payments to be paid under the 2002 Agreement or the 1989 and 1999 Agreements, respectively, and unless directed by a court of competent jurisdiction to do otherwise, the payments will be apportioned, pro rata, based upon the Annual Payments and other payments to be paid during the Bond Year under the 2002 Agreement and the 1989 and 1999 Agreements during which such Annual Payments and other payments, either as appropriated directly to the Fund or from operating expenses of the University, were made by the State.

The University

The University is a corporate entity created by the State within the Education Department of the State of New York under the Board of Regents. The University has campuses across the entire State and is more fully described in "PART 7 - THE STATE UNIVERSITY OF NEW YORK" herein. In carrying out its responsibilities and in order to operate and maintain its facilities, the University receives money from various sources, a substantial portion of which consist of annual State appropriations of State funds. The successful maintenance and operation of the facilities of the University and the overall financial viability of the University are dependent upon the ability and the willingness of the State to continue making appropriations of State funds in the amounts required for the operation of the University.

The Fund

The Fund is a public benefit corporation of the State and is authorized to provide facilities for the University and to support the educational purposes of the University. From time to time, the University requests the Fund to provide, through financing arrangements with the Authority, buildings and other facilities contained in a master plan for the academic and physical development of the University. The Authority may finance such facilities through the sale of its bonds and notes. See "PART 8 - STATE UNIVERSITY CONSTRUCTION FUND" herein.

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 for certain educational, governmental and not-for-profit institutions. The Authority has never defaulted in the timely payment of principal or sinking fund installments of, or interest on, its bonds or notes. See "PART 9 - THE AUTHORITY" herein.

The Plan of Refunding

The proceeds of the Series 2012A Bonds will be used to provide for the refunding of the Refunded Bonds. See "PART 6 - THE REFUNDING PLAN" herein.

PART 2 - THE SERIES 2012A BONDS

Set forth below is a narrative description of certain provisions relating to the Series 2012A Bonds. These provisions have been summarized, and this description does not purport to be complete. Reference should be made to the 2002 Resolution, the Series Resolution and the 2002 Agreement, copies of which are on file with the Authority and the Trustee. See also "Appendix C - SUMMARY OF CERTAIN PROVISIONS OF THE 2002 AGREEMENT" and "Appendix D - SUMMARY OF CERTAIN PROVISIONS OF THE 2002 RESOLUTION" for a more complete description of certain provisions of the Series 2012A Bonds.

Description of the Series 2012A Bonds

The Series 2012A Bonds will be dated the date of their delivery, will mature on the dates and will bear interest at the rates set forth on the cover hereof, payable November 15, 2012 and each May 15 and November 15 thereafter unless redeemed or purchased prior to maturity. The Series 2012A Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof.

The Series 2012A Bonds will be issued pursuant to the 2002 Resolution. The Series 2012A Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Series 2012A Bonds will be made in book-entry form, without certificates. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2012A Bonds, payments of the principal, Purchase Price and Redemption Price of and interest on the Series 2012A Bonds will be made by the Trustee directly to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners of the Series 2012A Bonds is the responsibility of the DTC Participants and the Indirect Participants (as hereinafter defined). If at any time the Book-Entry Only System is discontinued for the Series 2012A Bonds, the Series 2012A Bonds will be exchangeable for fully registered Series 2012A Bonds in any authorized denominations of the same maturity without charge except 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 2002 Resolution. See "Book-Entry Only System" below and "Appendix D - SUMMARY OF CERTAIN PROVISIONS OF THE 2002 RESOLUTION" herein.

Interest on the Series 2012A Bonds will be payable by check mailed to the registered owners thereof at the address thereof as it appears on the registration books held by the Trustee, or, at the option of a Holder of at least $1,000,000 in principal amount of the Series 2012A Bonds, by wire transfer to the Holder of such Series 2012A Bonds, each as of the close of business on the last day of the month next preceding an interest payment date.

The principal, Redemption Price or Purchase Price of the Series 2012A Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of Deutsche Bank Trust Company Americas, New York, New York, the Trustee and Paying Agent. As long as the Series 2012A 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" herein.

Redemption and Purchase in Lieu of Redemption

Optional Redemption

The Series 2012A Bonds maturing after May 15, 2022 are subject to redemption prior to maturity, at the election or direction of the Authority, on or after May 15, 2022, in any order, as a whole or in part at any time, at the Redemption Price equal to 100% of the principal amount of the Series 2012A Bonds to be redeemed, plus accrued interest to the redemption date.

Notice of Redemption

The Trustee is to give notice of the redemption of the Series 2012A Bonds in the name of the Authority to the registered owners of the Series 2012A Bonds to be redeemed by first class mail, postage prepaid, not less than 30 days nor more than 60 days prior to the redemption date specified in such notice. The failure of any registered owner of a Series 2012A Bond to be redeemed to receive such notice will not affect the validity of the proceedings for the redemption of the Series 2012A Bonds. For a more complete description of the redemption and other provisions relating to the Series 2012A Bonds, see "Appendix D - SUMMARY OF CERTAIN PROVISIONS OF THE 2002 RESOLUTION" herein.

Purchase in Lieu of Optional Redemption

The Series 2012A Bonds maturing after May 15, 2022 are also subject to purchase prior to maturity, at the election of the Authority, on or after May 15, 2022, in any order, as a whole or in part at any time, at a purchase price equal to 100% of the principal amount of Series 2012A Bonds to be purchased (the "Purchase Price"), plus accrued interest to the date set for purchase (the "Purchase Date").

Notice of Purchase and its Effect

Notice of the purchase of Series 2012A Bonds will be given in the name of the Authority to the registered owners of the Series 2012A Bonds to be purchased by first-class mail, postage prepaid, not less than 30 days nor more than 60 days prior to the Purchase Date specified in such notice. The Series 2012A Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2012A Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. Such purchase will not operate to extinguish the indebtedness of the Authority evidenced thereby or modify the terms of the Series 2012A Bonds and such Series 2012A Bonds need not be cancelled, but may remain Outstanding under the Resolution and in such case will continue to bear interest.

The Authority's obligation to purchase a Series 2012A 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 2012A 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 2012A Bonds to be purchased, the former registered owners of such Series 2012A Bonds will have no claim thereunder or under the 2002 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 2012A 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 2012A Bonds in accordance with their respective terms.

In the event not all of the Outstanding Series 2012A Bonds of a maturity are to be purchased, the Series 2012A Bonds of such maturity to be purchased will be selected by lot in the same manner as Series 2012A Bonds of a maturity to be redeemed in part are to be selected.

For a more detailed description of the provisions relating to the Series 2012A Bonds, see “Appendix D - SUMMARY OF CERTAIN PROVISIONS OF THE 2002 RESOLUTION” herein.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2012A Bonds. The Series 2012A Bonds will be issued as fully-registered bonds registered 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 2012A Bond certificate will be issued for each maturity of Series 2012A 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. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2012A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2012A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, 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 2012A 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 Series 2012A Bonds, except in the event that use of the book-entry system for the Series 2012A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012A 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 2012A 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 2012A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012A 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 and notices of purchases in lieu of optional redemption will be sent to DTC. If less than all of the Series 2012A Bonds within a stated maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series 2012A Bonds to be redeemed or purchased.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Series 2012A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2012A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments and redemption and purchase payments on the Series 2012A 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 DTC's receipt of funds and corresponding detailed information, 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 redemption and purchase proceeds and principal 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 and the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its service with respect to the Series 2012A Bonds at any time by giving reasonable notice to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law, or the Authority may terminate its participation in the system of book-entry transfer through DTC at any time by giving notice to DTC. In either event, the Authority may retain another securities depository for the Series 2012A Bonds or may direct the Trustee to deliver bond certificates in accordance with instructions from DTC or its successor. If the Authority directs the Trustee to deliver such bond certificates, such Series 2012A Bonds may thereafter be exchanged for an equal aggregate principal amount of Series 2012A Bonds in other authorized denominations and of the same maturity as set forth in the Resolutions, upon surrender thereof at the principal corporate trust office of the Trustee, who will then be responsible for maintaining the registration books of the Authority.

Unless otherwise noted, certain of the information contained in the preceding paragraphs of this subsection "Book-Entry Only System" has been extracted from information given by DTC. Neither the Authority, the Trustee nor the Underwriters make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE WILL SATISFY THE AUTHORITY'S OBLIGATION UNDER THE ACT AND THE 2002 RESOLUTION TO THE EXTENT OF SUCH PAYMENTS.

So long as Cede & Co. is the registered owner of the Series 2012A Bonds, as nominee for DTC, references herein to the Bondholders, Holders, or registered owners of the Series 2012A Bonds (other than under the captions "PART 12 - TAX MATTERS" and "PART 18 - CONTINUING DISCLOSURE") means Cede & Co., as aforesaid, and does not mean the Beneficial Owners of the Series 2012A Bonds.

PART 3 - ANNUAL DEBT SERVICE REQUIREMENTS FOR STATE UNIVERSITY EDUCATIONAL FACILITIES ISSUES

The following table sets forth the amounts required during each twelve-month period ending May 14 of the years shown for the payment of principal and Sinking Fund Installments of, and interest on, the Series 2012A Bonds payable on May 15 of such period and on the succeeding November 15 and interest, principal and sinking fund payments on outstanding obligations (after giving effect to the refunding of the Refunded Bonds) issued under the 1989 Resolution, the 1999 Resolution and the 2002 Resolution payable during such period and the total debt service under all of the resolutions during each such period.

12-Month Period Ended May 14	Estimated Aggregate Debt Service Prior to Refunding[1]	Estimated Debt Service on Refunded Bonds[1]	Debt Service on the Series 2012A Bonds	Estimated Aggregate Debt Service After Refunding
2013	$ 291,804,493	$ 46,484,036	$ 28,573,101	$ 273,893,558
2014	276,128,418	41,296,709	39,260,750	274,092,459
2015	292,614,582	82,246,709	49,100,900	259,468,773
2016	216,443,407	87,133,619	54,246,350	183,556,138
2017	175,532,754	81,586,376	48,996,725	142,943,103
2018	252,893,680	108,108,521	102,773,275	247,558,434
2019	177,633,386	110,818,030	105,942,450	172,757,806
2020	116,247,562	88,059,256	83,676,075	111,864,381
2021	115,937,844	90,006,694	85,993,350	111,924,500
2022	122,588,335	85,342,397	81,728,275	118,974,213
2023	105,243,925	85,182,500	81,952,925	102,014,350
2024	99,150,854	79,105,479	76,276,625	96,322,000
2025	97,230,152	81,081,727	78,629,625	94,778,050
2026	98,406,417	88,967,442	86,924,000	96,362,975
2027	83,285,204	83,285,204	81,716,875	81,716,875
2028	73,003,677	73,003,677	71,890,000	71,890,000
2029	58,231,412	58,231,412	57,532,125	57,532,125
2030	38,965,758	38,965,758	38,603,500	38,603,500
2031	21,182,715	21,182,715	21,053,500	21,053,500
Total	$2,712,524,575	$1,430,088,261	$1,274,870,426	$2,557,306,740

[1] Interest on the Series 2002B Bonds after May 15, 2012 is estimated at an assumed rate of 4.22% per annum.

PART 4 - SOURCES OF PAYMENT AND SECURITY

Set forth below is a narrative description of certain contractual and legislative provisions relating to the sources of payment and security for the Obligations, including the Series 2012A Bonds, issued under the 2002 Resolution and for the Annual Payments. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the 2002 Resolution and the 2002 Agreement for a more complete description of such provisions. Copies of the 2002 Resolution and the 2002 Agreement are on file with the Authority and the Trustee. See also "Appendix C - SUMMARY OF CERTAIN PROVISIONS OF THE 2002 AGREEMENT," and "Appendix D - SUMMARY OF CERTAIN PROVISIONS OF THE 2002 RESOLUTION" herein for a more complete statement of the rights, duties and obligations of the parties thereto.

Payment of the Obligations

Special Obligations. The Obligations under the 2002 Resolution are special obligations of the Authority payable solely from the Revenues pledged to their payment pursuant to the 2002 Resolution. The Revenues under the 2002 Resolution consist of the Annual Payments to be made by the Fund pursuant to the 2002 Agreement.

The Authority has no taxing power and the Obligations are not a debt of the State or the Fund nor is the State or the Fund liable on them.

Payment of the Annual Payments. The Annual Payments are to provide amounts sufficient to pay debt service on Outstanding Obligations, as it becomes due, and to maintain the Building and Equipment Reserve Fund for the Series 2012A Bonds at its requirement. The Annual Payments are to be paid by the Fund directly to the Trustee in two installments, on October 10 and April 10 of each Bond Year, each in an amount sufficient to pay the principal and Sinking Fund Installments of, and interest on, the Outstanding Obligations when due, and to maintain the Building and Equipment Reserve Fund at its requirement. Although the 2002 Resolution establishes a Building and Equipment Reserve Fund, the amount at which it is to be funded is to be determined by the Authority in its discretion. The Building and Equipment Reserve Fund Requirement currently is zero.

The Annual Payments to be made on account of the principal and Sinking Fund Installments of and interest on Outstanding Obligations will be reduced by the money, if any, in the Debt Service Fund which exceed the amount required to be in the Debt Service Fund on the date an Annual Payment is payable or required to pay the Purchase Price or Redemption Price of Outstanding Obligations theretofore contracted to be purchased or called for redemption.

Fund Resources. The Fund is expected to pay the Annual Payments payable under the 2002 Agreement from Fund Resources. The Fund Resources consist of money appropriated by the State and paid to the Fund in accordance with the Act, money paid to the Fund by the State Comptroller out of money appropriated by the State for the operating expenses of the University and any other money, income, rents, or revenues of the Fund which are pledged to the Authority under the 2002 Agreement.

State Appropriations. The Act provides that the State annually is to appropriate and pay to the Fund, in addition to any other aid appropriated for the University, the amount of all Annual Payments payable by the Fund to the Authority under the 2002 Agreement. In accordance with the Act, the State is to make its payments to the Fund related to debt service in two installments no later than September 15 and three Business Days before April 10 of each Bond Year. The State is not legally required to make all or any part of any such appropriations and the State may not make any payment except pursuant to an appropriation.

State Appropriations Backup. In the event the State fails to pay to the Fund when due all or any part of the amount to be appropriated by the State for the Annual Payments, the Act directs the State Comptroller to make such payment from money appropriated by the State for or on account of the operating expenses of the University. In State fiscal year 2011-12, the Legislature has appropriated over $2.2 billion for operating expenses of the University. The Governor's 2012-13 Executive Budget recommends that the Legislature appropriate $2.4 billion for operating expenses of the University in the upcoming State fiscal year. The State Comptroller is to make such payment upon receipt of a certificate of the Fund setting forth the amount to have been paid by the State which remains unpaid. To the extent that the State Comptroller makes the payment to the Fund as described above, amounts otherwise appropriated for operating expenses of the University will be reduced. For a discussion of the nature and historical amounts of appropriations for the University, see "PART 7 - THE STATE UNIVERSITY OF NEW YORK - Appropriations of State Funds to the University" herein. See also "Limitations on Appropriations" below and "Appendix B - INFORMATION CONCERNING THE STATE OF NEW YORK" herein.

Security for the Annual Payments. To secure payment of the Annual Payments, the Fund has created, pursuant to section 378 (3-a) of the Education Law, a special account known as the State University Construction Fund Educational Facilities 2002 Payment Account (the "Payment Account"). During each Bond Year, the Fund is to pay Fund Resources as received into the Payment Account. The money in the Payment Account is to be jointly held by the New York State Commissioner of Taxation and Finance and the State Comptroller separate and apart from all other funds and money held by the State until applied for the payment of the Annual Payments. The Fund has pledged and assigned to the Authority all money and investments from time to time in the Payment Account to further secure its obligations under the 2002 Agreement.

Security for the Obligations

The Obligations are secured by a first lien created by the 2002 Resolution on the Revenues and, except as provided in the 2002 Resolution, all funds and accounts established under the 2002 Resolution, other than the Arbitrage Rebate Fund. The Authority has pledged to the Trustee its right to receive the Annual Payments. The Fund is to make such Annual Payments directly to the Trustee.

The Authority has covenanted in the 2002 Resolution for the benefit of the Holders of Obligations that, except as described below, it will not create or cause to be created any lien or charge upon the Revenues under the 2002 Resolution, the proceeds of the Obligations or the funds or accounts established under and pledged by the 2002 Resolution which is prior or equal to the pledge made by the 2002 Resolution. The Authority, however, has reserved the right to pledge and create liens upon the Revenues to secure any obligation of the Authority to a Provider or Counterparty. Such pledges or liens may be of equal priority with the pledge and lien created by the 2002 Resolution. See "Appendix D - SUMMARY OF CERTAIN PROVISIONS OF THE 2002 RESOLUTION" herein.

Limitation on Additional Obligations, Parity Obligations

Pursuant to the Act, the Authority is authorized to issue bonds and notes for Facilities pursuant to the 2002 Resolution or other resolutions, including the Prior Resolutions, in an aggregate principal amount not exceeding $10.089 billion (exclusive of certain bonds and notes issued to refund outstanding bonds and notes). The limitations on the amount of the bonds and notes that may be issued under the Act may be amended or repealed and is not to be construed to be a contract with the Bondholders. The State has enacted legislation that authorizes the Authority to issue bonds to finance and refinance capital improvements for the University that would be payable out of direct State payments to the Authority from the State's personal income tax receipts instead of from payments made to the Authority by the Fund under the 1989, 1999 and 2002 Agreements. The legislation provides that the principal amount of bonds issued by the Authority pursuant to this authorization is to be included in the calculation of bonds issued for purposes of this limitation. For purposes of this limitation, the Authority will have issued approximately $5.068 billion after issuance of the Series 2012A Bonds.

Additional Obligations may be issued under the 2002 Resolution on a parity with the Series 2012A Bonds. The Obligations authorized to be issued under the 2002 Resolution may be Notes or Bonds. The Obligations which may be issued under the 2002 Resolution include Capital Appreciation Obligations, Deferred Income Obligations, Option Obligations and Variable Interest Rate Obligations.

If the State were to make payments either as appropriated directly to the Fund or from operating expenses of the University to the Fund which were not sufficient to enable the Fund to pay the Annual Payments under the 2002 Agreement and other payments under the 1989 and 1999 Agreements, and if the appropriation, pursuant to which the payments were to be made was not clearly designated to have been made on account of the Annual Payments to be paid under the 2002 Agreement or the 1989 and 1999 Agreements, respectively, and unless directed by a court of competent jurisdiction to do otherwise, the amount paid will be apportioned, pro rata, based upon the Annual Payments and other payments to be paid during the Bond Year under the 2002 Agreement and the 1989 and 1999 Agreements during which such Annual Payments and other payments, either as appropriated directly to the Fund or from operating expenses of the University, were made by the State.

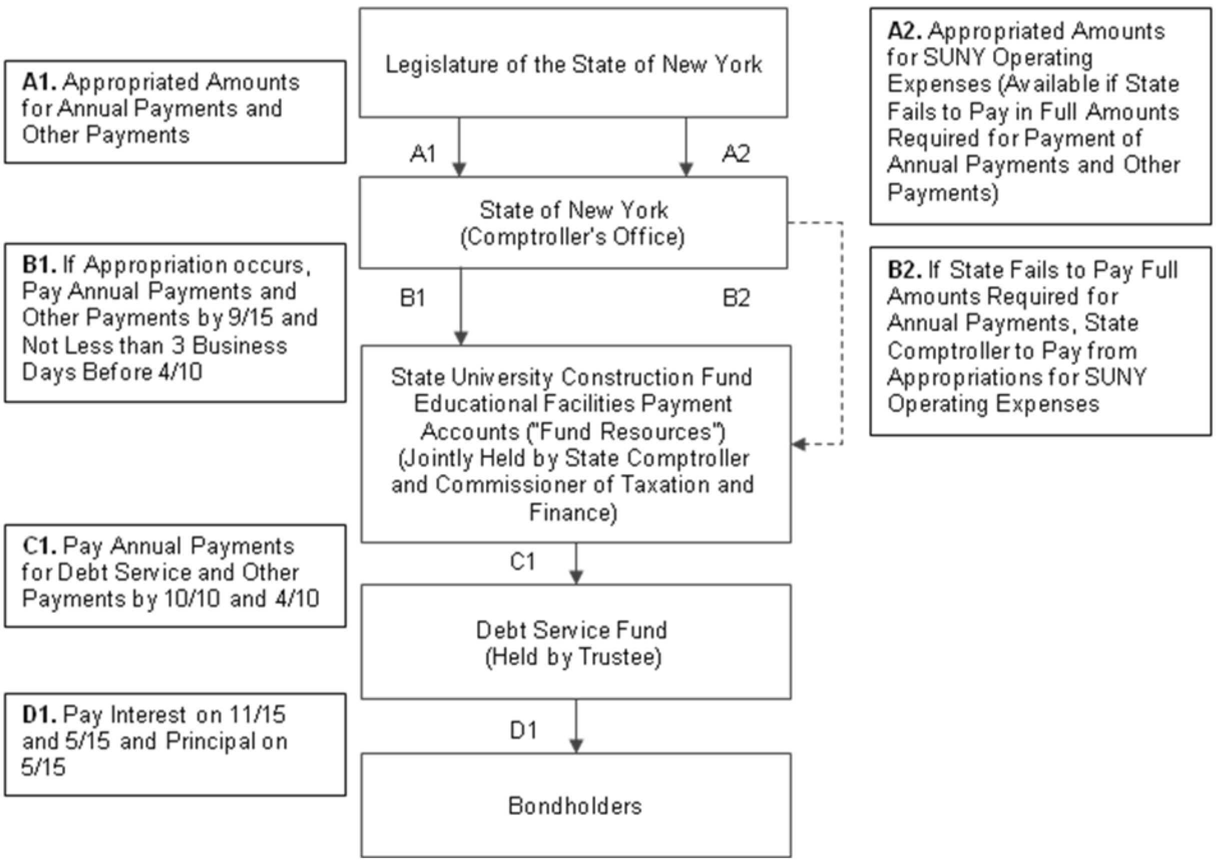
Limitations on Appropriations

Under the State Constitution, money may be paid to the Fund by the State only after appropriations for such purposes are made by the State. Accordingly, the provisions of the Act which require the State to appropriate money to the Fund for the Annual Payments do not constitute legally enforceable obligations of the State. If, however, appropriations are made (and such appropriations have not lapsed or been repealed) and money is available therefor, the State Comptroller and other appropriate officials of the State are legally obligated to make the payments to the Fund required by the Act.

The determination of the amount of money appropriated for the operating costs of the University is a legislative act and the State may amend or repeal the statutes relating to such appropriations. The State is not required to maintain any particular level of appropriations or to continue to provide money for the University's operating costs. Amendments to the applicable statutes may increase or decrease the amount of money paid or available to be paid by the State for Annual Payments or for the operating costs of the University. Amendment of the statutes relating to the apportionment or payment of money for the University's operating costs does not constitute an event of default under the 2002 Resolution or the 2002 Agreement. For a discussion relating to the State, see "Appendix B - INFORMATION CONCERNING THE STATE OF NEW YORK" herein.

State University Educational Facilities Revenue Bonds

Flow of Funds



Ability to Grant Rights to Providers of Credit Facilities

Pursuant to the 2002 Resolution, if provided in or authorized by a Series Resolution, the Authority may provide for the rights of the Provider of a Credit Facility in connection with a Series of Obligations, which rights may include that, whenever by the terms of the 2002 Resolution the Holders of any percentage in principal amount of Outstanding Obligations 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 Provider may be deemed to be the Holder of such Obligations.

PART 5 - ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are expected to be as follows:

Sources of Funds

Principal Amount of the Series 2012A Bonds	$ 838,100,000.00
Original Issue Premium..	151,787,834.85
Other Available Money of the Authority	25,840,000.75
Total Sources...	$ 1,015,727,835.60

Uses of Funds

Refunding Escrow Deposit..	$ 1,004,250,699.00
Costs of Issuance [(1)]..	7,307,243.55
Underwriters' Discount	4,169,893.05
Total Uses..	$ 1,015,727,835.60

(1) Includes State Bond Issuance Charge.

PART 6 - THE REFUNDING PLAN

A portion of the proceeds of the Series 2012A Bonds, together with certain available funds, will be used to provide for the payment of the Refunded Bonds. The maturity dates and principal amounts of the Refunded Bonds are set forth in "Appendix F - INFORMATION RELATING TO THE REFUNDING BONDS" herein. The Refunded Bonds were issued as variable rate demand bonds and bear interest at a fixed rate until May 15, 2012, when they are subject to mandatory tender. Pursuant to an escrow agreement, such money will be irrevocably held in trust with the Trustee solely for payment of the principal and accrued interest on the Refunded Bonds due on their tender on May 15, 2012. The money so deposited, together with any earnings from its investment, will be sufficient to make full and timely payment of the principal of and interest on the Refunded Bonds to their May 15, 2012 mandatory tender date. The Refunded Bonds will not be reoffered, but on their tender date will be cancelled. Upon such irrevocable deposit, the Refunded Bonds will no longer be deemed to be outstanding and will no longer be entitled to the benefit of the pledge and lien established by the 2002 Resolution, or to payment from the Fund Resources.

PART 7 - THE STATE UNIVERSITY OF NEW YORK

The University is not independently obligated for the payment of principal of or interest on the Series 2012A Bonds. No revenues of the University, including tuition or fees, are pledged to the payment of the Series 2012A Bonds. The information relating to the University that follows in this part of the Official Statement does not relate to the sources of payment or security for the Series 2012A Bonds. This part of the Official Statement is included for informational purposes that relate to the use of proceeds of the Series 2012A Bonds.

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 18 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, the president of the University Faculty Senate, ex officio and non-voting, and the president of the Faculty Council of Community Colleges, 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 Trustees 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.

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

* Doctoral degree granting institutions.

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

	2007	2008	2009	2010	2011*
Full-Time					
Undergraduate	149,700	153,441	157,739	158,477	158,220
Graduate	22,857	22,830	23,120	23,737	23,378
Part-Time	40,712	42,257	41,344	39,626	38,963
Total Enrollment	213,269	218,528	222,203	221,840	220,561

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* Preliminary.

State Appropriations for Operating Expenses of the University

Operating expenses of the University are funded by a combination of revenues generated by the University and State funds. Although the University has its own sources of revenue, most revenues of the University are deposited with the State Comptroller and appropriated by the State to the University for operating expenses. The "State Appropriation Backup" described above in "PART 4 - SOURCES OF PAYMENT AND SECURITY - Payment of the Obligations - State Appropriations Backup" consists of both University revenues and State funds, all of which are appropriated for or on account of University operating expenses. Amounts appropriated by the State over its last five fiscal years for the operating expenses of the University, and the funding components of the appropriations, are shown below:

	($ Millions)				
	2007-08	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Operations:					
State funding	$1,340.4	$1,255.1*	$1,223.5**	$1,063.1**	$ 964.6
University revenue	1,050.0	1,126.1	1,281.8	1,281.8	1,334.0
Total University operations	$2,390.4	$2,381.2	$2,505.3	$2,344.9	$2,298.6

*Available State support net of one-time collective bargaining funding.
**State-funded appropriation was reduced to this level, due to mid-year reduction in 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, 2011, the amount outstanding under this borrowing was $52.5 million. During the State's 2010-11 fiscal year, the amount paid on the borrowing was $8.3 million.

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.

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 Ended March 31	Appropriated from State Purposes Account
2008	$1,340,363,000
2009	1,255,125,000 *
2010	1,223,540,000 **
2011	1,063,100,000 ***
2012	964,578,300

* Available State support net of one-time collective bargaining funding.
** State-funded appropriation was reduced by $90 million due to mid-year reductions in the State budget.
*** State-funded appropriation was reduced by $23 million due to mid-year reductions in the State budget.

Litigation Affecting the University

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, except as indicated hereinafter, in any event, its ultimate liability, if any, resulting from such disputes will not materially affect its financial position, and will be satisfied from moneys available to the University from State appropriations and insurance funds.

In November 2005, the State of New York acquired by eminent domain for use by the State University of New York at Stony Brook approximately 245 acres of land in Suffolk County owned by Gyrodyne Company of America, Inc. By decision and order dated November 22, 2011, the Appellate Division, 2nd Department, affirmed the June 21, 2010 decision of the Court of Claims in Gyrodyne Company of America, Inc. v. State of New York that awarded $125 million, plus interest, and costs to Gyrodyne for the eminent domain taking. The University has paid to Gyrodyne approximately $26 million with respect to the taking. A motion is pending before the Appellate Division, 2nd Department, for an order granting reargument or, in the alternative, granting leave to appeal to the Court of Appeals. The University is unable to determine at this time the impact of the final outcome of this proceeding upon the financial position of the University. An adverse decision in the Gyrodyne case will not, in any event, adversely affect the transactions described in this Official Statement, enjoin the issuance, sale, execution or delivery of the Series 2012A Bonds or in any way affect their validity.

PART 8 - STATE UNIVERSITY CONSTRUCTION FUND

The Fund was created in 1962 by act of the Legislature and is a corporate governmental agency, constituting a public benefit corporation. The purpose of the Fund is to provide academic buildings, dormitories and other facilities for the State-operated institutions and statutory colleges under the jurisdiction of the University, to reduce the time lag between determination of need for such facilities and actual occupancy thereof, to expedite the construction, acquisition, reconstruction, rehabilitation or improvement of such facilities and to assure that the same are ready for the purposes intended when needed and when scheduled under the approved master plan of the University. The Fund is also responsible for processing the semi-annual debt service payments for educational facilities related debt funded through appropriations from the State.

In order to most effectively carry out its corporate purposes, the Fund is required to assist and cooperate with and make its personnel and services fully available to the University in matters relating to the discharge of the capital planning responsibilities and land acquisition program of the University. During the course of construction, acquisition, reconstruction, rehabilitation and improvement of the Facilities for the University, the Fund shall consult with the University as the work progresses in matters relating to changes in space requirements, site plans, architectural concept, and detailed plans and specifications and in matters relating to the materials, equipment and supplies needed to furnish and equip completed facilities. The University, for its part, is required to assist and cooperate with the Fund in matters relating to such construction, acquisition, reconstruction, rehabilitation and improvements, including the financing thereof.

The Fund is administered by three trustees, appointed by the Governor, one of whom shall at all times be a trustee of the University.

The Fund's financial statements are audited by independent certified public accountants. The Fund's audited financial statements for its fiscal year ended March 31, 2011 are available by contacting the Fund at (518) 320-1750.

Litigation Affecting the Fund

The Fund is involved in a number of legal disputes with various contractors and architects having contracts with it. These disputes relate to claims for extra work, late completion and other matters generally applicable to construction and architectural contracts. Upon the basis of information presently available, the Fund believes that there are substantial defenses in connection with said disputes. The Fund further believes that, in any event, its ultimate liability, if any, resulting from such disputes will not materially affect its financial position and will be satisfied from moneys available to the Fund from State appropriations, insurance funds and unexpended balances on existing bonds issued for projects involved in the disputes.

PART 9 - 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 December 31, 2011, the Authority had approximately $45 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 December 31, 2011 were as follows:

Public Programs	**Bonds Issued**	**Bonds Outstanding**	**Notes Outstanding**	**Bonds and Notes Outstanding**
State University of New York Dormitory Facilities	$ 2,738,656,000	$ 1,364,250,000	$ 0	$ 1,364,250,000
State University of New York Educational and Athletic Facilities	15,153,032,999	6,963,824,624	0	6,963,824,624
Upstate Community Colleges of the State University of New York	1,644,630,000	669,655,000	0	669,655,000
Senior Colleges of the City University of New York	11,126,291,762	3,735,313,213	0	3,735,313,213
Community Colleges of the City University of New York	2,590,993,350	552,686,787	0	552,686,787
BOCES and School Districts	3,279,181,208	2,439,090,000	0	2,439,090,000
Judicial Facilities	2,161,277,717	668,012,717	0	668,012,717
New York State Departments of Health and Education and Other	7,400,435,000	4,980,015,000	0	4,980,015,000
Mental Health Services Facilities	8,662,585,000	4,239,910,000	0	4,239,910,000
New York State Taxable Pension Bonds	773,475,000	0	0	0
Municipal Health Facilities Improvement Program	1,146,845,000	728,335,000	0	728,335,000
Totals Public Programs	$56,677,403,036	$26,341,092,341	$ 0	$26,341,092,341

Non-Public Programs	**Bonds Issued**	**Bonds Outstanding**	**Notes Outstanding**	**Bonds and Notes Outstanding**
Independent Colleges, Universities and Other Institutions	$20,619,329,952	$10,700,855,536	$78,095,000	$10,778,950,536
Voluntary Non-Profit Hospitals	15,257,544,309	7,237,960,000	0	7,237,960,000
Facilities for the Aged	2,030,560,000	638,140,000	0	638,140,000
Supplemental Higher Education Loan Financing Program	95,000,000	0	0	0
Totals Non-Public Programs	$38,002,434,261	$18,576,955,536	$78,095,000	$18,655,050,536
Grand Totals Bonds and Notes	$94,679,837,297	$44,918,047,877	$78,095,000	$44,996,142,877

Outstanding Indebtedness of the Agency Assumed by the Authority

At December 31, 2011, the Agency had approximately $202.5 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 December 31, 2011 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	$ 2,035,000
Insured Mortgage Programs	6,625,079,927	197,035,000
Revenue Bonds, Secured Loan and Other Programs...	2,414,240,000	3,440,000
Total Non-Public Programs...	$ 9,265,549,927	$ 202,510,000
Total MCFFA Outstanding Debt.................................	$ 13,082,780,652	$ 202,510,000

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 Earl G. Graves, Ltd/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 and a member of the Board of Directors at Ronald McDonald House of New York. 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 the assets of the NY Common Retirement Fund, 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 expired on March 31, 2011 and by law he continues to serve until a successor shall be chosen and qualified.

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. By appointment of the Appellate Division, First Department, Mr. Moerdler serves as Vice Chair of the Committee on Character and Fitness and as a Member of the Departmental Disciplinary Committee. 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 as well as the Metropolitan Transportation Authority and is 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.

BERYL L. SNYDER, J.D., New York

Ms. Snyder was appointed as a member of the Authority by the Governor on June 15, 2011. She is currently a principal in HBJ Investments, LLC, an investment company where her duties include evaluation and analysis of a wide variety of investments in, among other areas: fixed income, equities, alternative investments and early stage companies. Previously, she was Vice President, General Counsel and a Director of Biocraft Laboratories, Inc. and a Director of Teva Pharmaceuticals. Ms. Snyder serves as a Board member of the Beatrice Snyder Foundation, the Roundabout Theater, the Advisory Committee of the Hospital of Joint Diseases and the Optometric Center of New York, where she also serves on the Investment Committee. She holds a Bachelor of Arts degree in History from Vassar College and a Juris Doctor degree from Rutgers University. Her current term expires on August 31, 2013.

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.

JOHN B. KING, JR., J.D., Ed.D., *Commissioner of Education of the State of New York,* Slingerlands; *ex-officio.*

Dr. John B. King, Jr., was appointed by the Board of Regents to serve as President of the University of the State of New York and Commissioner of Education on July 15, 2011. As Commissioner of Education, Dr. King serves as chief executive officer of the State Education Department and as President of the University of the State of New York, which is comprised of public and non-public elementary and secondary schools, public and independent colleges and universities, libraries, museums, broadcasting facilities, historical repositories, proprietary schools and services for children and adults with disabilities. Dr. King is also responsible for licensing, practice and oversight of numerous professions. Dr. King previously served as Senior Deputy Commissioner for P-12 Education at the New York State Education Department. Prior thereto, Dr. King served as a Managing Director with Uncommon Schools. Prior to this, Dr. King was Co-Founder and Co-Director for Curriculum & Instruction of Roxbury Preparatory Charter School and prior to that, Dr. King was a teacher in San Juan, Puerto Rico and Boston, Massachusetts. He holds a Bachelor of Arts degree in Government from Harvard University, a Master of Arts degree in Teaching of Social Studies from Teachers College, Columbia University, a Juris Doctor degree from Yale Law School and a Doctor of Education degree in Educational Administrative Practice from Teachers College, Columbia University.

NIRAV R. SHAH, M.D., M.P.H., *Commissioner of Health*, Albany; *ex-officio*.

Nirav R. Shah, M.D., M.P.H.., was appointed Commissioner of Health on January 24, 2011. Prior to his appointment he served as Attending Physician at Bellevue Hospital Center, Associate Investigator at the Geisinger Center for Health Research in central Pennsylvania, and Assistant Professor of Medicine at the NYU Langone Medical Center. Dr. Shah is an expert in use of systems-based methods, a leading researcher in use of large scale clinical laboratories and electronic health records and he has served on the editorial boards of various medical journals. He is a graduate of Harvard College, received his medical and master of public health degrees from Yale School of Medicine, was a Robert Wood Johnson Clinical Scholar at UCLA and a National Research Service Award Fellow at NYU.

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.

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.

The position of General Counsel is currently vacant.

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 2012A 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, 2011. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 10 - LEGALITY OF THE SERIES 2012A BONDS FOR INVESTMENT AND DEPOSIT

The Act provides that the Series 2012A 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 2012A Bonds.

The Series 2012A Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 11 - NEGOTIABLE INSTRUMENTS

As provided in the Act, the Series 2012A Bonds are negotiable instruments subject to the provisions for registration and transfer contained in the 2002 Resolution and in the Series 2012A Bonds.

PART 12 - TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2012A Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2012A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2012A Bonds. Pursuant to the Resolution and a tax certificate executed by the Authority in connection with the original authentication and delivery of the Series 2012A Bonds, the Authority has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2012A Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the

Authority has made certain representations and certifications in the Resolution and the tax certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the Authority described above, interest on the Series 2012A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2012A Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

State Taxes

Bond Counsel is also of the opinion that interest on the Series 2012A 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. Bond counsel expresses no opinion as to other state or local tax consequences arising with respect to the Series 2012A Bonds nor as to the taxability of the Series 2012A Bonds or the income therefrom under the laws of any state other than the State of New York.

Original Issue Premium

The Series 2012A Bonds maturing on May 15, 2014 through and including May 15, 2030 (collectively, the "Premium Bonds") are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Series 2012A Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the Series 2012A Bonds may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry the Series 2012A Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Series 2012A Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2012A Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinions attached as Appendix E. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2012A Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2012A Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series 2012A Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series 2012A Bonds from gross income for federal or state income tax purposes, or otherwise. For example, in September, 2011, President Obama released legislative proposals that would, among other things, subject interest on tax-exempt bonds (including the Series 2012A Bonds) to a federal income tax for taxpayers with incomes above certain thresholds for tax years beginning after 2012. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Series 2012A Bonds may occur. Prospective purchasers of the Series 2012A Bonds should consult their own tax advisers regarding the impact of any change in law on the Series 2012A Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2012A Bonds may affect the tax status of interest on the Series 2012A Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Series 2012A Bonds, or the interest thereon, if any action is taken with respect to the Series 2012A Bonds or the proceeds thereof upon the advice or approval of other counsel.

PART 13 - STATE NOT LIABLE ON THE OBLIGATIONS

The Act provides that notes and bonds of the Authority are not a debt of the State, that the State is not liable thereon, and that such notes or bonds are payable out of any funds other than those of the Authority. The 2002 Resolution specifically provides that the Obligations shall not be a debt of the State nor shall the State be liable thereon.

PART 14 - 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

Obligations or for the payment of the operating expenses of the University. See "PART 4 - SOURCES OF PAYMENT AND SECURITY" herein.

PART 15 - UNDERWRITING OF THE SERIES 2012A BONDS

The Series 2012A Bonds are being purchased by Citigroup Global Markets Inc. on behalf of itself and the other underwriters listed on the cover of this Official Statement (the "Underwriters"). The Underwriters have agreed, subject to certain conditions, to purchase the Series 2012A Bonds from the Authority at an aggregate purchase price of $985,717,941.80 (which represents the par amount of the Series 2012A Bonds, less the Underwriters' discount of $4,169,893.05, plus the original issue premium of $151,787,834.85) and to make a public offering of the Series 2012A Bonds at prices that are not in excess of the public offering prices or less than the yields indicated on the cover page of this Official Statement.

The Series 2012A Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters. The Underwriters will be obligated to purchase all Series 2012A Bonds if any are purchased.

Citigroup Inc. and Morgan Stanley, the respective parent companies of Citigroup Global Markets Inc. ("Citigroup") and Morgan Stanley & Co. LLC, each an underwriter of the Series 2012A Bonds, have entered into a retail brokerage joint venture. As part of the joint venture each of Citigroup and Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, each of Citigroup and Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with their respective allocations of Series 2012A Bonds.

Citigroup, one of the underwriters of the Series 2012A Bonds, has entered into a master distribution agreement (the "Master Distribution Agreement") with TheMuniCenter L.L.C. ("TMC"), for the distribution to retail investors of certain municipal securities offerings at their original issue prices. TMC has established an electronic primary offering application platform through which certain TMC approved users that are also broker-dealers or municipal securities dealers can submit orders for and receive allocations of new issue municipal securities at the original issue price for their retail customers. Pursuant to the Master Distribution Agreement (if applicable for this transaction), Citigroup may share with TMC a portion of its underwriting compensation with respect to any Series 2012A Bonds that are allocated to a TMC user. The TMC users permitted to participate in the offering of the Series 2012A Bonds may also share a portion of the underwriting compensation received by Citigroup with respect to any Series 2012A Bonds allocated to such TMC user pursuant to the terms of a Member Addendum to the TMC user's Trading Authorization User Agreement with TMC. Citigroup Financial Products Inc., an affiliate of CGMI, owns a 31.35% equity interest in TheDebtCenter L.L.C., the parent company of TMC.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series 2012A Bonds, has entered into negotiated dealer agreements (each a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Series 2012A Bonds, at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase Series 2012A Bonds from JPMS at the initial public offering price less a negotiated portion of the selling concession applicable to any of the Series 2012A Bonds that such firm sells.

Lebenthal & Co., one of the Underwriters of the Series 2012A Bonds, has entered into an agreement (the "Distribution Agreement") with Advisors Asset Management, Inc. ("AAM") for the retail distribution of certain municipal securities offerings, including the Series 2012A Bonds. Pursuant to the

Distribution Agreement, Lebenthal will compensate AAM for its selling efforts in connection with their respective allocations of the Series 2012A Bonds.

Piper Jaffray & Co., one of the Underwriters of the Series 2012A Bonds, and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the Series 2012A Bonds. Under the Agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee or commission paid to Piper Jaffray & Co..

TD Securities (USA) LLC (.TD Securities.), one of the Underwriters of the Series 2012A Bonds, has provided the following two sentences for inclusion in this Official Statement: TD Securities has entered into a negotiated dealer agreement (the .TD Dealer Agreement.) with TD Ameritrade for the retail distribution of certain securities offerings, including the Series 2012A Bonds, at the original issue prices. Pursuant to the TD Dealer Agreement, TD Ameritrade will purchase Series 2012A Bonds from TD Securities at the original issue prices less a negotiated portion of the selling concession applicable to any Series 2012A Bonds that TD Ameritrade sells.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

PART 16 - LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2012A Bonds are subject to the approval of Nixon Peabody LLP, New York, New York, Bond Counsel to the Authority, whose approving opinion will be delivered with the Series 2012A Bonds.

Certain legal matters will be passed upon for the Underwriters by their Counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2012A Bonds or questioning or affecting the validity of the Series 2012A 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 2012A Bonds in accordance with the provisions of the Act, the 2002 Resolution and the 2002 Agreement.

PART 17 - VERIFICATION OF MATHEMATICAL COMPUTATION

The Arbitrage Group, Inc. will deliver to the Authority its report indicating that it has verified, (a) the mathematical computations of the adequacy of the cash, the maturing principal amounts and the interest on the defeasance securities deposited with the trustee under the resolutions pursuant to which the Refunded Bonds were issued to pay the principal, interest and redemption price coming due on the Refunded Bonds on and prior to their maturity or redemption dates as described in "PART 6 - THE

REFUNDING PLAN," and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Series 2012A Bonds are not "arbitrage bonds" under the Code and the applicable income tax regulations. The Arbitrage Group, Inc. will express no opinion on the reasonableness of the assumptions provided to them, the likelihood that the principal of and interest on the Series 2012A Bonds will be paid as described in the schedules provided to them, or the exclusion of the interest on the Series 2012A Bonds from gross income for federal income tax purposes.

PART 18 - CONTINUING DISCLOSURE

In order to assist the Underwriters of the Series 2012A Bonds to comply 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 2012A Bonds to provide continuing disclosure of certain financial and operating data concerning the State (collectively, the "Annual Information"), notices of certain events described in the Continuing Disclosure Agreement (the "Notices") in accordance with the requirements of Rule 15c2-12 and the annual financial statements described below. The State will electronically file with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") System, the Annual Information, on or before 120 days after the end of each State fiscal year, commencing, for the Series 2012A Bonds, with the fiscal year ending March 31, 2012. 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") within 120 days after the close of the State fiscal year, and the State will undertake to electronically file with the MSRB 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, provided, however that if audited financial statements are not then available, unaudited financial statements shall be filed no later than 120 days after the end of the State's fiscal year and such audited financial statements shall be electronically filed with the MSRB, if and when such statements are available. In addition, the Authority will undertake, for the benefit of the Holders of the Series 2012A Bonds, to electronically file with the MSRB any Notice in a timely manner not in excess of ten business days after the occurrence of any of the fourteen events described in the Continuing Disclosure Agreement. The proposed form of the Continuing Disclosure Agreement is attached hereto as Appendix G - FORM OF CONTINUING DISCLOSURE AGREEMENT.

The sole and exclusive remedy for breach of 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 2012A 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 thereunder, by any Holder of Outstanding Series 2012A Bonds or by the Trustee on behalf of the Holders of Outstanding Series 2012A Bonds or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the Holders of Outstanding Series 2012A Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the Holders of not less than 25% in aggregate principal amount of Series 2012A Bonds at the time Outstanding. A breach of the Continuing Disclosure Agreement shall not constitute an Event of Default under the 2002 Resolution. In addition, if all or any part of Rule 15c2-l2 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as a provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided.

The Continuing Disclosure Agreement is 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 may be amended or modified without Bondholders' consent under certain circumstances set forth therein.

The State has not in the previous five years failed to comply, in all material respects, with any previous undertakings pursuant to Rule 15c2-12.

PART 19 – RATINGS

Fitch Ratings has assigned a rating of "AA-" to the Series 2012A Bonds and Standard & Poor's Rating Services has assigned a rating of "AA-" to the Series 2012A Bonds. Each such rating reflects only the views of the rating agency issuing such rating and is not a recommendation by such rating agency to purchase, sell or hold the obligations rated or as to the market price or suitability of such obligations for a particular investor. Generally, a rating agency bases its rating and outlook, if any, on the information and material furnished to it and on investigations, studies and assumptions of its own. An explanation of the significance of any rating may be obtained only from the rating agency furnishing such rating. There is no assurance that such ratings will be in effect for any given period of time or that they will not be revised upward or downward or withdrawn entirely by any or all of such rating agencies if, in the judgment of any or all of them, circumstances so warrant. Any such downward revision or withdrawal of such rating or ratings may have an adverse effect on the market price or marketability of the Series 2012A Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

PART 20 - SOURCES OF INFORMATION AND CERTIFICATIONS

Certain information concerning the Fund, 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 2012A Bonds, as to the accuracy of such information provided or authorized by it.

The University. The University provided certain of the information contained in this Official Statement, including the information relating to the University in "PART 7 - THE STATE UNIVERSITY OF NEW YORK" (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 Fund. The Fund provided certain of the information contained in this Official Statement including the information relating to the Fund in "PART 8 - STATE UNIVERSITY CONSTRUCTION FUND" (the "Fund Information").

Certain officers of the Fund have been authorized by the Fund to include the Fund Information in this Official Statement and will certify to the Authority that the statements of material fact concerning the Fund and the Fund Resources contained in the Fund 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 provided the information relating to the State 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 set forth in Appendix B, including any updates or supplements, is true, correct and complete in all material respects, and that no facts have come to his attention that would lead him to believe that such statements and information contain any untrue statement of a material fact or omit to state any material 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 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 Annual Information Statement under the caption "Litigation and Arbitration" such statements and information as to legal matters are given to the best of his information and belief, having made such inquiries as he deemed appropriate at the offices of the Department of Law of the State, without any further independent investigation. This certification applies both as of the date of the Official Statement and as of the date of delivery of the Series 2012A Bonds.

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

The Financial Advisor. Lamont Financial Services Corporation has served as the Financial Advisor to the Authority with respect to the sale of the Series 2012A Bonds. The Financial Advisor has not independently verified the information contained in this Official Statement and does not assume responsibility for the accuracy, completeness or fairness of such information.

The Authority will certify that, both as of the date of this Official Statement and on the date of delivery of the Series 2012A 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 herein, 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 that has been provided by parties other than the Authority, 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 2002 Resolution and the 2002 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 2012A Bonds are fully set forth in the 2002 Resolution (including any Supplemental Resolution thereto), and neither any advertisement of the Series

2012A Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2012A 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

DEFINITIONS

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DEFINITIONS

The following are definitions of certain of the terms defined in the 2002 Resolution, the Series Resolution or the 2002 Agreement and used in this Official Statement.

"*2002 Agreement*" means the Financing Agreement by and among the Dormitory Authority of the State of New York, the State University Construction Fund and the State University of New York, dated as of September 4, 2002 Relating to Dormitory Authority of the State of New York Third General Resolution Revenue Obligations (State University Educational Facilities issue).

"*2002 Resolution*" means the "Third General Revenue Obligation Resolution (State University Educational Facilities Issue)" of the Authority, adopted September 4, 2002, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions thereof.

"*Accreted Value*" means with respect to any Capital Appreciation Obligation (i) as of any Valuation Date, the amount set forth for such date in the Series Resolution authorizing such Capital Appreciation Obligation or a Series Certificate and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve thirty-day months, and (2) the difference between the Accreted Values for such Valuation Dates.

"*Act*" means the Dormitory Authority Act being and constituting Title 4 of Article 8 of the Public Authorities Law, as amended, including, without limitation, by the Healthcare Financing Construction Act, being Title 4-B of the Public Authorities Law of the State of New York, as amended.

"*Annual Payments*" means the payments due and payable by the Fund to the Authority during a Bond Year, as provided for and computed in accordance with the provisions of Section 5.02(a) of the 2002 Agreement.

"*Appreciated Value*" means with respect to any Deferred Income Obligation (i) as of any Valuation Date, the amount set forth for such date in the Series Resolution authorizing such Deferred Income Obligation or a Series Certificate and (ii) as of any date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Appreciated Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve thirty-day months, and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date.

"*Arbitrage Rebate Fund*" means the fund so designated, created and established pursuant to the 2002 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 succeeds 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 Public 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 Fund, the Chairman, the Vice-Chairman, and the General Manager and when used with reference to any act or document also means any other person authorized by resolution or by-laws of the Fund to perform such act or execute such document; (iii) in the case of the State University, the Chancellor, the Executive Vice Chancellor, the Senior Vice Chancellor and the Secretary of the Board of Trustees, and when used with reference to any act or document also means any other person authorized by resolution or by-law of the State University to perform such act or execute such document; and (iv) in the case of the Trustee, the President, a Vice President, an Assistant Vice President, a 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 such Trustee or the by-laws of such Trustee.

"*Book Entry Obligations*" means Obligations authorized to be issued to, and issued to and registered in the name of, a Depository directly or indirectly for the beneficial owners thereof.

"*Bond*" or "*Bonds*" means any of the bonds of the Authority authorized and issued pursuant to the 2002 Resolution or a Series Resolution.

"*Bond Counsel*" means an attorney or other 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 Year*" means a period of twelve (12) consecutive months beginning May 15 in any calendar year and ending on May 14 of the succeeding calendar year.

"*Building and Equipment Reserve Fund*" means the fund so designated, created and established pursuant to the 2002 Resolution.

"*Building and Equipment Reserve Fund Requirement*" means, as of any particular date of computation, the amount set forth in a Series Resolution or Series Certificate for such date of computation, as the same may be increased or decreased in accordance with a Series Resolution or Supplemental Resolution, a Series Certificate or other certificate of an Authorized Officer of the Authority delivered to the Trustee, as such amount shall be reduced by the total of any amounts withdrawn from the Building and Equipment Reserve Fund and increased by the amount of each such withdrawal then required pursuant to the 2002 Agreement to have been repaid; provided that the Building and Equipment Reserve Fund Requirement shall not exceed five percent (5%) of the Costs of the Facilities.

"*Business Day*" means unless with respect to any Obligation the applicable Series Resolution or Series Certificate otherwise provides, any day which is not a Saturday, Sunday or a day on which 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 Variable Interest Rate Obligations 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 Provider of a Credit Facility or Liquidity Facility for such Bonds are legally authorized to close in The City of New York.

"*Capital Appreciation Obligation*" means any Obligation as to which interest is compounded on each Valuation Date therefor and is payable only at the maturity or prior redemption thereof.

"*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 2002 Resolution.

"*Cost*" or "*Costs of the Project*" means the costs of acquiring, designing, constructing, reconstructing, rehabilitating, improving or otherwise providing and furnishing and equipping a Facility, including, without limiting the generality of the foregoing, the following items: (i) principal of Notes, and principal of and interest on notes and other obligations issued to finance the Costs of any such Facility or issued to refund or provide for the payment of any such Notes, notes or other obligations; (ii) costs of providing indemnity and surety bonds and insurance against risks during the period of construction if not provided by the contractor; (iii) costs incurred for architectural, engineering, designing, accounting, legal, financial, labor and materials, payments to contractors, builders and materialmen, any other necessary services in connection with the acquiring, designing, constructing, reconstructing, rehabilitating, improving or otherwise providing and furnishing and equipping a Facility; (iv) costs incurred for administrative, accounting, legal and financial services and other expenses incidental to the issuance of the Obligations; (v) the repayment to the State of New York of moneys advanced or paid by it for Costs relating to a Facility; (vi) reimbursement to the Authority, the Fund or the University, as the case may be, for expenditures made for any items of Cost and approved by the Authority; (vii) costs and expenses required for the acquisition and installation of equipment or machinery; (viii) all other costs which are approved by an Authorized Officer of the Authority and which the Authority, the Fund or the State University shall be required to pay for the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of a Facility; (ix) interest on the Obligations prior to, during and for a reasonable period after the acquisition, construction, reconstruction, rehabilitation, repair, improvement or equipping of a Facility is complete; and (x) fees, expenses and liabilities of the Authority or the Fund incurred in connection with a Facility or pursuant to the 2002 Agreement or the 2002 Resolution.

"*Cost*" or "*Costs of Issuance*" means the items of expense incurred in connection with the authorization, sale and issuance of Obligations or notes and bonds issued in connection with Facilities, which items of expense shall include, but not be limited to, document printing and reproduction costs, tiling and recording fees, costs of Rating Services, initial fees and charges of the Trustee, legal fees and charges, professional consultants fees, fees and charges for execution, transportation and safekeeping of Obligations or notes and bonds issued in connection with Facilities, premiums, fees and charges for insurance on Obligations or notes and bonds issued in connection with Facilities, costs and expenses of refunding Obligations and other costs, charges and fees, including those of the Authority, in connection with the foregoing.

"*Costs of Issuance Account*" means the account so designated, created and established in the Construction Fund pursuant to the 2002 Resolution.

"*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 Obligations 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 2002 Resolution and with the Series Resolution authorizing such Obligations or a Series Certificate, whether or not the Authority is in default thereunder or the Fund is in default under the 2002 Agreement.

"*Credit Facility Provider*" means the Provider of a Credit Facility.

"*Debt Service Fund*" means the fund so designated, created and established pursuant to the 2002 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.

"*Deferred Income Obligation*" means any Obligation as to which interest accruing thereon prior to the Interest Commencement Date of such Obligation is compounded on each Valuation Date for such Deferred Income Obligation, and as to which interest accruing after the Interest Commencement Date is payable semiannually on May 15 and November 15 of each Bond Year.

"*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 the 2002 Resolution, 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*" means a State University Educational Facility, as such term is defined in the Act.

"*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.

"*Fund*" means the State University Construction Fund, a corporate governmental agency constituting a public benefit corporation created pursuant to Chapter 251 of the laws of 1962 of the State, as amended, constituting Article 8-A of the Education Law of the State, as amended, or any body, agency or instrumentality of the State which succeeds to the rights, powers, duties and functions of the Fund.

"*Fund Resources*" means the resources of the Fund derived from (i) payments made by the State pursuant to the provisions of Section 1680 (l9)(e) of the Act or any successor provision of law, including the payments to be made by the Comptroller of the State pursuant thereto, and (ii) any other moneys, income, rents or revenues of the Fund, which may be pledged to the Authority pursuant to the 2002 Agreement.

"*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 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.

"*Holder*" "*Holder of Obligations*," or "*Obligationholder*" or any similar term, when used with reference to an Obligation or Obligations, means any person who shall be the registered owner of an Obligation.

"*Interest Commencement Date*" means, with respect to any particular Deferred Income Obligation, the date prior to the maturity date thereof specified in the Series Resolution authorizing such Obligation or a Series Certificate, after which interest accruing on such Obligation shall be payable on the interest payment date immediately succeeding such Interest Commencement Date and semi-annually thereafter on May 15 and November 15 of each Bond Year.

"*Interest Rate Exchange Agreement*" means an agreement entered into by the Authority in connection with the issuance of or which relates to Obligations of one or more Series which (i) provides that during the term of such agreement the Authority is to pay to the Counterparty an amount based on the interest accruing at a fixed or variable rate per annum on an amount equal to a principal amount of such Bonds and that the Counterparty is to pay to the Authority an amount based on the interest accruing on a principal amount equal to the same principal amount of such Bonds 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 and (ii) in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on Bonds from gross income for the purposes of federal income taxation.

"*Investment Agreement*" means an agreement for the investment of moneys with a Qualified Financial Institution.

"*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, (xii) or 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 Obligations tendered for purchase or redemption in accordance with the terms of the 2002 Resolution and of the Series Resolution authorizing such Option Obligations or the applicable Series Certificate.

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

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

"*Note*" or "*Notes*" means any of the notes of the Authority authorized and issued pursuant to the 2002 Resolution.

"*Obligation*" or "*Obligations*" means any of the Authority's Bonds or Notes.

"*Option Obligation*" means any Obligation 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.

"*Outstanding*" when used in reference to Obligations, means, as of a particular date, all Obligations authenticated and delivered under the 2002 Resolution and under any applicable Series Resolution except: (i) any Obligation cancelled by the Trustee at or before such date; (ii) any Obligation deemed to have been paid in accordance with the 2002 Resolution; (iii) any Obligation in lieu of or in substitution for which another Obligation shall have been authenticated and delivered pursuant to the 2002 Resolution; and (iv) any Option Obligation tendered or deemed tendered in accordance with the provisions of the Series Resolution authorizing such Obligation or the Series Certificate relating to such Obligation 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 2002 Resolution and in the Series Resolution authorizing such Obligation or the Series Certificate relating to such Obligation.

"Payment Account" means the "State University Construction Fund Educational Facilities 2002 Payment Account" so designated, created and established pursuant to the 2002 Agreement.

"Paying Agent" means with respect to the Obligations of any Series, the Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions of the 2002 Resolution or a Series Resolution or any other resolution of the Authority adopted prior to authentication and delivery of the Series of Obligations 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 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; and (vi) Investment Agreements that are fully collateralized by Permitted Collateral.

"Prior Resolutions" means each of the Authority's (i) Revenue Obligation Resolution (State University Educational Facilities Issue), adopted May 31, 1989, and (ii) Revenue Obligation Resolution (State University Educational Facilities Issue), adopted October 27, 1999, in each case and the same has been or may be amended or supplemented.

"*Project*" means all of the Facilities in connection with which Obligations have been issued and are Outstanding, as more particularly described in the 2002 Agreement.

"*Provider*" means the issuer of a Credit Facility or a Liquidity Facility.

"*Provider Default*" means, with respect to a Provider, any of the following: (i) there shall occur a failure of the Provider to make payment under its Credit Facility or Liquidity Facility; (ii) the applicable Credit Facility or Liquidity Facility shall have been declared null and void or unenforceable in a final determination by a court of law; (iii) a proceeding shall have been instituted in a court having jurisdiction seeking a decree or order for relief in respect of an applicable Provider in an involuntary case under the applicable bankruptcy, insolvency or other similar law now or hereafter in effect or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) of an applicable Provider or for any substantial part of its property or for the winding-up or liquidation of its affairs and such proceeding shall remain undismissed or unstayed and in effect for a period of 30 consecutive days or such court shall enter a decree or order granting the relief sought in such proceeding; or (iv) an applicable Provider shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the applicable Provider or for any substantial part of its property, or shall make a general assignment for the benefit of creditors.

"*Provider Payments*" means the amount, certified by a Provider to the Trustee, payable to such Provider on account of amounts advanced by it under a Credit Facility or Liquidity Facility, including interest, if any, due on amounts advanced and fees and charges with respect thereto.

"*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 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 2002 Resolution purchased from such corporation, are insured by an insurer that meet the applicable rating requirements set forth above.

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

"*Record Date*" means, unless with respect to Obligations of a Series the applicable Series Resolution or Series Certificate provides otherwise, the last day (whether or not a Business Day) of the calendar month next preceding an interest payment date.

"*Redemption Price*" when used with respect to an Obligation, means the principal amount of such Obligation plus the applicable premium, if any, payable upon redemption thereof pursuant to the 2002 Resolution or to any applicable Series Resolution or Series Certificate.

"*Refunding Obligations*" means all Obligations, whether issued in one or more Series of Obligations, authenticated and delivered on original issuance pursuant to the 2002 Resolution, and any Obligations thereafter authenticated and delivered in lieu of or in substitution for such Obligations pursuant to the 2002 Resolution.

"*Revenues*" means all payments made by the Fund pursuant to Section 5.02(a) of the 2002 Agreement, 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 Series Certificate.

"*Series*" means all of the Obligations authenticated and delivered on original issuance and pursuant to the 2002 Resolution and to any applicable Series Resolution or applicable Series Certificate authorizing such Obligations as a separate Series of Obligations, and any Obligations thereafter authenticated and delivered in lieu of or in substitution for such Obligations pursuant to the 2002 Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions.

"*Series Certificate*" means a certificate of an Authorized Officer of the Authority fixing terms, conditions and other details of Obligations in accordance with the delegation of power to do so under the 2002 Resolution or under a Series Resolution.

"*Series Resolution*" means a resolution of the Authority authorizing the issuance of a Series of Obligations adopted by the Authority pursuant to the 2002 Resolution.

"*Series 2012 Resolution*" shall mean the State University Educational Facilities Series 2011A Resolution Authorizing a Series of Third General Resolution Revenue Bonds (State University Educational Facilities Issue), adopted September 21, 2011.

"*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 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 shall be payable on all Bonds, other than Variable Interest Rate Obligations or Option Obligations, on May 15 or November 15 of any year in which a Sinking Fund Installment is scheduled to be due.

"*Standby Purchase Agreement*" means an agreement by and between the Authority and another person pursuant to which such person is obligated to purchase Option Obligations tendered for purchase.

"*State*" means the State of New York.

"*State University*" or "*University*" means the State University of New York, a corporation created by Chapter 695 of the Laws of 1948 of the State, as amended, and constituting Article 8 of Title 1 of the Education Law of the State of New York, as amended.

"*Sub–Series*" means the grouping of Obligations of a Series established by the Authority pursuant to the Series Resolution authorizing issuance of the Obligations of such Series or the applicable Series Certificate.

"*Supplemental Agreement*" means any agreement amending or supplementing the 2002 Agreement or any Supplemental Agreement, executed and becoming effective in accordance with the terms and provisions of the 2002 Resolution and of the 2002 Agreement.

"*Supplemental Resolution*" means any resolution of the Authority amending or supplementing the 2002 Resolution, any Series Resolution or any Supplemental Resolution adopted and becoming effective in accordance with the terms and provisions of the 2002 Resolution.

"*Term Bonds*" means the Bonds so designated in a Series Resolution or a Series Certificate and payable from Sinking Fund Installments.

"*Trustee*" means the bank or trust company appointed as Trustee for the Obligations pursuant to the 2002 Resolution and having the duties, responsibilities and rights provided for in the 2002 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 2002 Resolution.

"*Valuation Date*" means (i) with respect to any Capital Appreciation Obligation, the date or dates set forth in the Series Resolution authorizing such Obligation or a Series Certificate on which specific Accreted Values are assigned to such Capital Appreciation Obligation, and (ii) with respect to any Deferred Income Obligation, the date or dates prior to the Interest Commencement Date set forth in the Series Resolution authorizing such Obligation or a Series Certificate on which specific Appreciated Values are assigned to such Deferred Income Obligation.

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

"*Variable Interest Rate Obligation*" means any Obligation which bears a Variable Interest Rate; provided, however, that an Obligation shall not be considered to be a Variable Interest Rate Obligation during any period that it will bear interest at a fixed rate per annum to and including its stated maturity date.

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INFORMATION CONCERNING THE STATE OF NEW YORK

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APPENDIX B

INFORMATION CONCERNING THE STATE OF NEW YORK

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

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

The AIS set forth in this Appendix B is dated May 24, 2011. It was updated on February 8, 2012. 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.ny.gov.

The Basic Financial Statements and Other Supplementary Information for the State fiscal year ended March 31, 2011 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 25, 2011 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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UPDATE TO ANNUAL INFORMATION STATEMENT (AIS) STATE OF NEW YORK

February 8, 2012

This is the third quarterly update (the "AIS Update") to the Annual Information Statement of the State of New York (the "AIS"), dated May 24, 2011. The AIS Update contains information only through February 8, 2012 and should be read in its entirety, together with the AIS.

In this AIS Update, readers will find:

1. Extracts from the Governor's Executive Budget Financial Plan for fiscal year 2013 (the "Current Financial Plan"), which the Division of the Budget ("DOB") issued on January 17, 2012. The Current Financial Plan is available on the DOB website, www.budget.ny.gov, and includes (a) a summary of recent events and changes to the Financial Plan made since the last quarterly update to the AIS dated November 22, 2011 (the "Mid-Year Update"), (b) revisions to the State's official Financial Plan projections for FYs 2012 through 2015, and initial projections for FY 2016[1], including the estimated impact of the Governor's proposed budget, and (c) an updated economic forecast.

2. A summary of operating results through December 2011.

3. A discussion of issues and risks that may affect the Financial Plan during the State's current fiscal year or in future years (under the heading "Other Matters Affecting the Financial Plan").

4. A summary of GAAP-basis results for prior fiscal years (reprinted as a convenience from the Mid-Year Update to the AIS dated November 22, 2011).

5. Updated information regarding the State Retirement Systems.

6. Updated information on certain localities of the State.

7. An update on the status of significant litigation and arbitration that has the potential to adversely affect the State's finances.

8. Updated information for AIS Exhibit A, entitled "Selected State Government Summary", regarding appropriations and fiscal controls.

DOB is responsible for preparing the State's Financial Plan and presenting the information that appears in this AIS Update on behalf of the State. In preparing this AIS Update, DOB has also relied on information drawn from other sources, including the Office of the State Comptroller ("OSC"). In particular, information contained in the section entitled "State Retirement Systems" has been furnished by OSC, while information relating to matters described in the section entitled "Litigation and Arbitration" has been furnished by the State Office of the Attorney General. DOB has not undertaken any independent verification of the information contained in these sections of the AIS Update.

[1] The fiscal year is identified by the calendar year in which it ends. For example, fiscal year 2012 ("FY 2012") is the fiscal year that began on April 1, 2011 and ends on March 31, 2012.

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 position, including potential operating results for the current fiscal year and projected budget gaps for future fiscal years, which may vary materially from the information provided in this AIS Update. Investors and other market participants should, however, refer to the AIS, as updated, or supplemented from time to time, for the most current official information regarding the financial position of the State.

The factors affecting the State's financial condition are complex. The Current Financial Plan contains forecasts, projections and estimates that are based on expectations and assumptions which existed at the time such forecasts were prepared. Since many factors may materially affect fiscal and economic conditions in the State, the inclusion in the Current Financial Plan of forecasts, projections, and estimates should not be regarded as a representation that such forecasts, projections, and estimates will occur. Forecasts, projections and estimates are not intended as representations of fact or guarantees of results. The words "expects", "forecasts", "projects", "intends", "anticipates", "estimates" and analogous expressions are intended to identify forward-looking statements in the Current Financial Plan. Any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially and adversely from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, impediments to the implementation of gap-closing actions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the State. These forward-looking statements speak only as of the date they were prepared.

The State may issue AIS supplements or other disclosure notices to this AIS Update as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of the AIS or this AIS Update in official statements or related disclosure documents for State or State-supported debt issuances. The State has filed this AIS Update with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. An electronic copy of this AIS Update can be accessed through EMMA at www.emma.msrb.org. An official copy of this AIS Update may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-7705. In July 2011, OSC issued the Basic Financial Statements for FY 2011 (ended March 31, 2011). Copies of the Basic Financial Statements for FY 2011 may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236. The Basic Financial Statements for FY 2011 are available in electronic form at www.osc.state.ny.us and at www.emma.msrb.org.

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OVERVIEW OF THE CURRENT FINANCIAL PLAN

INTRODUCTION

The State's General Fund — the fund that receives the majority of State taxes and all income not earmarked for a particular program or activity — is required to be balanced on a cash basis of accounting. The State Constitution and State Finance Law do not define budget balance. In practice, the General Fund is considered balanced on a cash basis of accounting if sufficient resources are expected to be available during the fiscal year for the State to (a) make all required payments, including personal income tax ("PIT") refunds, without the issuance of deficit notes or bonds, and (b) restore the balances in the Tax Stabilization Reserve and Rainy Day Reserve to levels at or above the levels on deposit when the fiscal year began.

The General Fund is typically the financing source of last resort for the State's other major funds, including Health Care Reform Act ("HCRA") funds, the Dedicated Highway and Bridge Trust Fund, the School Tax Relief Fund, and the Lottery Fund. Therefore, the General Fund projections account for any estimated funding shortfalls in these funds. Since the General Fund 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 receipts and disbursements by the fund in which the activity takes place (such as the General Fund), and the broad category or purpose of that activity (such as State Operations). The Financial Plan tables sort all State projections and results by fund and category. The State also reports disbursements and receipts activity by two other broad measures: State Operating Funds, which includes the General Fund and funds specified for dedicated purposes, but excludes Federal Funds and Capital Projects Funds; and All Governmental Funds ("All Funds"), which includes both State and Federal Funds and provides the most comprehensive view of the financial operations of the State.

Fund types of the State include: the General Fund; State special revenue funds, which receive certain dedicated taxes, fees and other revenues that are used for a specified purpose; Federal Special Revenue Funds, which receive certain Federal grants; State and Federal Capital Projects Funds, which account for costs incurred in the construction and rehabilitation of roads, bridges, prisons, and other infrastructure projects; and Debt Service Funds, which account for the payment of principal, interest and related expenses for debt issued by the State and its public authorities.

CURRENT FISCAL YEAR (FY 2012)

The Mid-Year Update reflected a potential General Fund budget shortfall of $350 million in the current fiscal year, which was expected to be closed through administrative actions. Based on a review of updated disbursement patterns (as modified by ongoing spending controls), the availability of excess cash balances in other funds, and other factors, DOB now projects no budget shortfall and expects the State will end the current fiscal year in balance on a General Fund cash basis. The following table summarizes the revisions to the FY 2012 Financial Plan.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) ESTIMATE FOR FY 2012 SUMMARY OF CHANGES FROM MID-YEAR UPDATE SAVINGS/(COSTS) (millions of dollars)	FY 2012
MID-YEAR ESTIMATE	**(350)**
Receipts Revisions	**348**
Tax Receipts[1]	3
Miscellaneous Receipts	92
Debt Service	82
Non-Tax Transfers/Fund Sweeps	171
Disbursements Revisions	**(60)**
Forecast Revisions	**180**
Local Assistance	206
Debt Service	56
Payment of Retroactive Labor Agreement	(62)
All Other	(20)
Planned Prepayments	**(240)**
Debt Service	(140)
Additional Pension Payment	(100)
Use of Prior-Year Labor Agreements (2007-2011) Reserve	**62**
CURRENT ESTIMATE	**0**

[1] Excludes impact of debt service reestimates.

General Fund receipts, including transfers from other funds, are expected to total $57.2 billion in FY 2012, an increase of $348 million compared to the Mid-Year Update. The estimate for tax receipts (excluding the impact of debt service changes) is virtually unchanged since the Mid-Year Update, reflecting lower estimated collections due to economic weakness offset by the initial impact of State tax reform legislation and higher expected audit receipts in the remainder of the year. Estimated annual debt service on the State's PIT revenue bonds and LGAC bonds has been revised downward since the Mid-Year Update, due to debt management activities and the timing of bond sales. The estimate for all other receipts, including miscellaneous receipts and cash balances transferred from other funds, has been increased based on a review of collections to date and current fund balances.

General Fund disbursements, including transfers to other funds, are now estimated at $56.9 billion in FY 2012, an increase of $60 million from the Mid-Year Update estimate, which reflects downward revisions to disbursements, offset by planned pre-payment of expenses. Excluding the impact of $240 million in planned prepayments (described below), General Fund disbursements in FY 2012 are expected to fall approximately $180 million below the Mid-Year Update estimate.

Estimated disbursements have been reduced across a range of programs and activities in local assistance and debt service, reflecting operating results to date, the continuing impact of cost control measures imposed on discretionary spending, and the conservative estimation of General Fund costs. In addition, the State reached a collective bargaining agreement for FY 2006 to FY 2015 with the Agency Police Services Unit ("APSU") which represents agency law enforcement officers in SUNY, the Office of Parks, Recreation and Historic Preservation, and the Department of Environmental Conservation. This agreement is expected to increase State Operations spending in the current year by $62 million for negotiated wage increases that cover the current and prior fiscal years. Payments are expected to be financed from the reserve set aside for this purpose and therefore have no impact on net operating results.

The net Financial Plan savings are expected to be used in the current year to (a) pay $140 million in debt service due in FY 2013 (which has the effect of lowering the gap in that year by an equal amount), and (b) increase the State's planned payment to the New York State and Local Employees' Retirement System by $100 million, which will provide interest savings over the multi-year Financial Plan period.

Consistent with prior updates, the Current Financial Plan includes a planned deposit of $100 million to the Rainy Day Reserve in FY 2012. The deposit is subject to the approval of the budget director and dependent on actual operating results in the final quarter of the fiscal year.

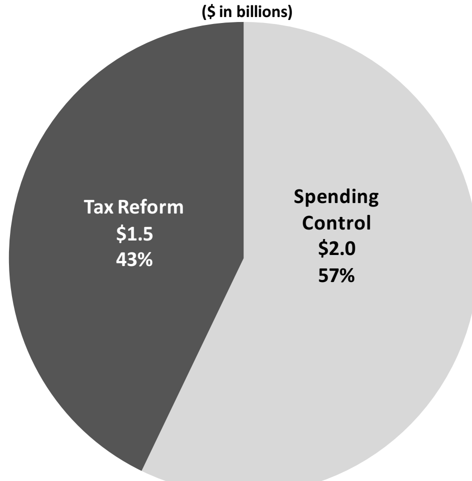
The General Fund is expected to end FY 2012 with a cash balance of $1.7 billion. The balance is expected to consist of $1.03 billion in the Tax Stabilization Reserve, $275 million in the Rainy Day Reserve (including the $100 million planned deposit), $51 million in the Community Projects Fund, $21 million in the Contingency Reserve, and $13 million reserved for debt management. In addition, the balance is expected to include $284 million set aside for potential retroactive labor settlements with unions that have not agreed to contracts through FY 2011.

Risks to budget balance remain in the current fiscal year. They include the potential that actual tax receipts may fall below the revised estimates; year-end transactions, such as the transfer of excess balances from other funds or payments from non-State entities, may occur at lower levels than assumed in the Current Financial Plan; and disbursements in certain programs, especially economically-sensitive programs such as Medicaid, may exceed budgeted amounts. (See "Other Matters Affecting the Financial Plan" herein.)

EXECUTIVE BUDGET FINANCIAL PLAN OVERVIEW (FY 2013 PROPOSAL)

DOB estimates that the Governor's Executive Budget, if enacted as proposed, would eliminate the General Fund budget gap of $3.5 billion in FY 2013 and lower the budget gaps that would need to be closed in future years. The gap-closing plan consists of $2 billion in savings, which DOB characterizes as spending control, and $1.5 billion in net new resources from tax reform.

FY 2013 Gap-Closing Plan
$3.5 Billion
($ in billions)



The following table summarizes the multi-year impact of the gap-closing plan.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS SUMMARY OF CHANGES FROM MID-YEAR THROUGH EXECUTIVE BUDGET RECOMMENDATION (millions of dollars)	FY 2013	FY 2014	FY 2015	FY 2016[1]
REVISED GAPS	**(3,500)**	**(3,624)**	**(5,044)**	**(4,246)**
FY 2013 Executive Budget Proposals	**3,500**	**2,909**	**2,070**	**525**
Spending Control	1,964	1,506	1,435	1,250
Agency Operations	1,141	1,089	842	861
Local Assistance	756	580	779	660
Debt Management	140	0	0	0
New Initiatives	(73)	(163)	(186)	(271)
Tax Reform	1,536	1,702	1,033	(178)
Tax Reform	1,931	2,034	1,335	79
MTA Payroll Tax Small Business Relief	(250)	(250)	(250)	(250)
Tax Credits/Other Initiatives	(145)	(82)	(52)	(7)
New Costs	0	(299)	(398)	(547)
Child Care Preservation	(93)	(215)	(215)	(215)
Mental Hygiene System Funding	0	(100)	(200)	(300)
Additional Pension Payment	0	(80)	(70)	(61)
All Other	93	96	87	29
EXECUTIVE BUDGET SURPLUS/(GAPS)	**0**	**(715)**	**(2,974)**	**(3,721)**

[1] Estimates for FY 2016 were published for the first time with the FY 2013 Executive Budget.

Under the Executive proposal, the budget gap in FY 2014 is projected at $715 million, equal to approximately 1.2 percent of projected General Fund receipts. By comparison, the gap closed in FY 2012 equaled nearly 18 percent of expected receipts. The budget gap projections for future years of the Current Financial Plan are also reduced.

SPENDING CONTROL

The Executive Budget gap-closing plan reflects $2 billion in savings from the following:

- Savings from State agency operations are expected to total $1.14 billion. Savings are expected to be achieved through building on redesign and cost-control efforts initiated in FY 2012. These include further reductions in State agency operations through attrition and strict controls on hiring; enterprise-wide consolidation of procurement, information technology, real estate, and workforce management; and a range of operational measures to improve efficiency. The total cost of State Operating Funds agency operations, which consists of personal service, fringe benefit, and non-personal services costs, is estimated at $23.5 billion in FY 2013, a decrease of 0.4 percent from the FY 2012 estimate.

- Savings proposals in local assistance ($756 million) target automatic spending increases that are unrelated to performance or actual costs. The most significant proposal would repeal automatic "cost-of-living" increases and trend factors in FY 2013 for all human service providers, and grant all future increases, starting in FY 2014, through a performance-based awards system. Other savings include continued programmatic, auditing, and financial reviews, elimination of subsidies, and other measures. Disbursements for State Operating Funds local assistance are projected to total $59.1 billion in FY 2013, an annual increase of 2.6 percent.

- The State expects to pay in FY 2012 approximately $140 million in debt service that is due in FY 2013. This has the effect of lowering the gap in FY 2013 by the amount of the prepayment.

- The Executive Budget includes a number of new initiatives, which are expected to be financed by recurring savings proposed in the gap-closing plan. The Budget proposes that the State (a) assume the full cost of annual growth in the Medicaid program over a period of three years, and responsibilities for Medicaid eligibility and enrollment over a period of five years; (b) dedicate resources to create a new centralized hotline to report allegations of abuse and neglect of vulnerable persons; and (c) assume responsibility for administering SSI benefits from the Federal government.

Tax Reform

The tax reform legislation approved in December 2011 is expected to generate an estimated $1.5 billion in net resources to help close the FY 2013 budget gap. The tax code changes are expected to provide approximately $1.9 billion in additional receipts in FY 2013 when compared with the Mid-Year Update, and an additional $3.4 billion through FY 2016. From the additional receipts generated in FY 2013, approximately $250 million will be used to mitigate the impact of the law changes on the MTA, and $145 million will be used for tax credits and employment initiatives. Tax reform changes to the personal income tax are scheduled to expire on December 31, 2014.

New Costs/Other Changes

The Current Financial Plan provides sufficient resources in FY 2013 to cover essential new costs, including State funding to maintain child care slots that would otherwise be lost due to a reduction in Federal aid. In addition, the Financial Plan assumes new State resources will be needed to maintain service levels in the Mental Hygiene System, starting in FY 2014, as Federal aid declines due, in part, to continuing movement of clients from institutionalized settings into community settings. Lastly, the Financial Plan assumes the State will increase its annual pension contribution, starting in FY 2014, above the minimum level required under the 2010 amortization legislation. In FY 2013, the costs of these programs are expected to be fully offset by other savings.

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SPENDING GROWTH

DOB estimates that State Operating Funds spending will total $88.7 billion in FY 2013, an increase of $1.7 billion (1.9 percent) from the estimate for FY 2012. All Governmental Funds spending, which includes capital projects and Federal operating funds, would total $132.5 billion, a decrease of $225 million (-0.2 percent) from the current year. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agencies) in special revenue funds have been adjusted downward based on typical spending patterns and the observed variance over time between estimated and actual results.

TOTAL DISBURSEMENTS
(millions of dollars)

			Before Actions			After Actions	
	FY 2012 Current	FY 2013 Mid-Year	Annual $ Change	Annual % Change	FY 2013 Proposed	Annual $ Change	Annual % Change
State Operating Funds	**87,048**	**90,770**	**3,722**	**4.3%**	**88,734**	**1,686**	**1.9%**
General Fund (excluding transfers)	50,787	53,107	2,320	4.6%	51,425	638	1.3%
Other State Funds	30,328	31,301	973	3.2%	31,113	785	2.6%
Debt Service Funds	5,933	6,362	429	7.2%	6,196	263	4.4%
All Governmental Funds	**132,735**	**131,908**	**(827)**	**-0.6%**	**132,510**	**(225)**	**-0.2%**
State Operating Funds	87,048	90,770	3,722	4.3%	88,734	1,686	1.9%
Capital Projects Funds	8,078	7,299	(779)	-9.6%	7,844	(234)	-2.9%
Federal Operating Funds	37,609	33,839	(3,770)	-10.0%	35,932	(1,677)	-4.5%
General Fund, including Transfers	**56,915**	**59,794**	**2,879**	**5.1%**	**58,592**	**1,677**	**2.9%**
State Funds	**93,288**	**96,504**	**3,216**	**3.4%**	**94,795**	**1,507**	**1.6%**

SOURCES OF SPENDING GROWTH

STATE SPENDING MEASURES: BEFORE AND AFTER BUDGET ACTIONS (millions of dollars)							
	FY 2012 Current	FY 2013 Mid-Year	Annual Change Before Actions $	Annual Change Before Actions %	FY 2013 Proposed	Annual Change After Actions $	Annual Change After Actions %
State Operating Funds:							
Local Assistance	**57,548**	**59,768**	**2,220**	**3.9%**	**59,060**	**1,512**	**2.6%**
School Aid	19,677	20,250	573	2.9%	20,002	325	1.7%
Medicaid	15,280	15,893	613	4.0%	15,859	579	3.8%
Transportation	4,257	4,325	68	1.6%	4,398	141	3.3%
Mental Hygiene	3,580	3,854	274	7.7%	3,576	(4)	-0.1%
STAR	3,293	3,322	29	0.9%	3,322	29	0.9%
Social Services	3,010	3,229	219	7.3%	3,073	63	2.1%
Higher Education	2,605	2,691	86	3.3%	2,662	57	2.2%
All Other	5,846	6,204	358	6.1%	6,168	322	5.5%
State Operations/Fringe Benefits	**23,623**	**24,697**	**1,074**	**4.5%**	**23,520**	**(103)**	**-0.4%**
State Operations	**17,087**	**17,647**	**560**	**3.3%**	**17,132**	**45**	**0.3%**
Executive Agecies:	9,429	9,593	164	1.7%	9,338	(91)	-1.0%
Personal Service	6,672	6,697	25	0.4%	6,685	13	0.2%
Non-Personal Service	2,757	2,896	139	5.0%	2,653	(104)	-3.8%
State University	5,167	5,361	194	3.8%	5,298	131	2.5%
City University	137	147	10	7.3%	120	(17)	-12.4%
Elected Officials	2,354	2,546	192	8.2%	2,376	22	0.9%
Fringe Benefits/Fixed Costs	**6,536**	**7,050**	**514**	**7.9%**	**6,388**	**(148)**	**-2.3%**
Pension Contribution	1,680	1,610	(70)	-4.2%	1,574	(106)	-6.3%
Employee/Retiree Health Insurance	3,291	3,731	440	13.4%	3,240	(51)	-1.5%
Other Fringe Benefits/Fixed Costs	1,565	1,709	144	9.2%	1,574	9	0.6%
Debt Service	**5,872**	**6,300**	**428**	**7.3%**	**6,149**	**277**	**4.7%**
Capital Projects	**5**	**5**	**0**	**0.0%**	**5**	**0**	**0.0%**
TOTAL STATE OPERATING FUNDS	**87,048**	**90,770**	**3,722**	**4.3%**	**88,734**	**1,686**	**1.9%**
Capital Projects (State Funded)	**6,240**	**5,734**	**(506)**	**-8.1%**	**6,061**	**(179)**	**-2.9%**
TOTAL STATE FUNDS	**93,288**	**96,504**	**3,216**	**3.4%**	**94,795**	**1,507**	**1.6%**
Federal Aid (Including Capital Grants)	**39,447**	**35,404**	**(4,043)**	**-10.2%**	**37,715**	**(1,732)**	**-4.4%**
TOTAL ALL GOVERNMENTAL FUNDS	**132,735**	**131,908**	**(827)**	**-0.6%**	**132,510**	**(225)**	**-0.2%**

Local assistance spending is expected to increase by $1.5 billion, or 2.6 percent, over FY 2012. In FY 2013, State funding for School Aid (on a school year basis) and Medicaid increases by approximately 4 percent from 2012 levels, consistent with caps enacted in FY 2012. Medicaid spending, before factoring in the savings expected from the State's takeover of administration and including Medicaid costs that are reflected on the non-personal services line of the Current Financial Plan, increases by 4 percent (not shown on table). Other local assistance increases include transportation, reflecting disbursements of dedicated tax receipts; and special education, resulting from actions that temporarily reduced spending in FY 2012. The increases are partly offset by annual reductions in mental hygiene programs reflecting the impact of ongoing cost-containment efforts, continued programmatic and costs reviews, and lower public health spending due to the phase-down of Federal-State Health Reform Partnership (F-SHRP) program and declines in the EPIC program resulting from prior-year cost containment actions.

Agency spending on personal and non-personal service is expected to remain nearly flat on an annual basis. This reflects ongoing efforts to redesign State agency operations initiated in FY 2012. Spending on fringe benefits is projected to decline by $148 million (-2.3 percent). The decline is comprised of lower pension costs due to a $100 million planned prepayment of certain pension obligations in FY 2012 and a reconciliation of prior-year pension costs that has lowered the State's estimated pension bill in FY 2013 ($77 million), and lower employee health insurance due to the annualization of employee premium increases that were effective in mid-FY 2012.

EXPLANATION OF EXECUTIVE BUDGET GAP-CLOSING PLAN

The table below summarizes the Executive Budget gap-closing plan.

GENERAL FUND GAP-CLOSING PLAN FOR FY 2013 (millions of dollars)	FY 2013	FY 2014	FY 2015	FY 2016
CURRENT SERVICES GAP ESTIMATES	**(3,500)**	**(3,624)**	**(5,044)**	**(4,246)**
Spending Control	**1,964**	**1,506**	**1,435**	**1,250**
Agency Operations	**1,141**	**1,089**	**842**	**861**
Agencies	580	386	18	127
Independent Officials	255	310	424	330
Enterprise/Consolidations	109	175	180	180
Health Insurance Rate Renewal	130	130	130	130
Fringe Benefits (New Proposals)	67	88	90	94
Local Assistance	**756**	**580**	**779**	**660**
COLAs/Trends	150	169	168	118
Mental Hygiene	172	92	59	(8)
Social Services/Housing	144	98	204	195
Public Health	105	58	28	19
All Other	185	163	320	336
Debt Management	**140**	**0**	**0**	**0**
New Initiatives/Investments	**(73)**	**(163)**	**(186)**	**(271)**
Local Medicaid Growth/Administrative Takeover	16	(23)	(83)	(181)
Agency Redesign - Enterprise Services	(43)	(66)	(27)	(17)
SSI Administration Takeover From Federal Government	(11)	(13)	(21)	(16)
Protection of Vulnerable Populations	(10)	(30)	(30)	(30)
Rural Rental Assistance	(6)	(6)	(6)	(6)
All Other	(19)	(25)	(19)	(21)
Tax Reform	**1,536**	**1,702**	**1,033**	**(178)**
Tax Code Reform	1,931	2,034	1,335	79
MTA Payroll Tax Small Business Relief	(250)	(250)	(250)	(250)
Reduce Corporate Tax on Manufacturers	(25)	(25)	(25)	0
New York Youth Works Tax Credit	(20)	(5)	0	0
Economic Development Initiatives	(32)	(32)	(13)	(3)
Inner-City Summer Youth Employment	(25)	0	0	0
Disaster Relief Package	(20)	(15)	(10)	0
Educational Opportunities	(11)	(4)	(4)	(4)
All Other	(12)	(1)	0	0
New Costs/Other	**0**	**(299)**	**(398)**	**(547)**
TANF Child Care Replacement	(93)	(215)	(215)	(215)
Mental Hygiene System Funding	0	(100)	(200)	(300)
Excess Pension Payment	0	(80)	(70)	(61)
All Other	93	96	87	29
EXECUTIVE BUDGET SURPLUS/(GAP) ESTIMATE	**0**	**(715)**	**(2,974)**	**(3,721)**

The sections below provide details on spending control and new costs in the Current Financial Plan. For more information on the Budget recommendations for major programs and activities see the section entitled “Financial Plan Projections - Disbursements” herein.

SPENDING CONTROL

Before the proposed spending controls and management actions in the Executive Budget, State Operating Funds spending was projected to total $90.8 billion, an increase of $3.7 billion, or 4.3 percent, over the current-year estimate. The FY 2013 Executive Budget recommends $2.0 billion in savings from spending control, which would reduce State Operating Funds spending in FY 2013 to $88.7 billion, an annual increase of 1.9 percent over the FY 2012 estimate.

STATE AGENCY OPERATIONS

Agency operations include salaries, wages, fringe benefits, and non-personal service costs (e.g., utilities). State Operating Funds spending for agency operations is estimated at $23.5 billion in FY 2013, a decline of $103 million (-0.4 percent) from the current year. Reductions from the FY 2013 current-services forecast for agency operating costs contribute $1.1 billion to the General Fund gap-closing plan.

- **Agencies:** Continued workforce management through a strict hiring freeze, annualization of savings from recent closures of facilities and elimination of excess capacity, and efforts to downsize State government are expected to result in lowered personal service and fringe benefits costs. The size of the Executive State workforce has declined from 125,787 FTEs in FY 2011 to 121,868 FTEs in FY 2012, a reduction of nearly 4,000 FTEs. The reduction in the size of the State workforce has led to declines in certain fringe benefit costs. In addition, a reconciliation of pension costs in FY 2011 has lowered the State's estimated pension bill in FY 2013 by $77 million.

Additional savings are expected through operational efficiencies as agencies continue to redesign operations to improve service delivery, reduce costs, and eliminate duplicative functions.

- **Independent Officials:** The budgets for the Legislature, Judiciary, State Comptroller, and the Department of Law do not propose spending increases for FY 2013. The Judiciary budget includes pay increases for judges, as recommended by the Judicial Compensation Commission. This spending increase is offset by commensurate reductions achieved through the streamlining of administrative functions and reductions in funding for non-essential programs.

- **Enterprise/Consolidations:** Efforts to centralize and coordinate enterprise services, such as procurement of information technology services, software and mobile communications, office supplies, and health services and pharmaceutical supplies, as well as rent reductions from statewide office space consolidations, are expected to reduce operational costs. After necessary one-time investments, the Current Financial Plan reflects net savings from expected cost reductions in upcoming fiscal years. Specific actions for FY 2013 include: procurement savings through strategic sourcing of goods and services such as vehicles, software, food and office supplies ($100 million); and real estate savings through the relocation of state agencies from leased space into State-owned office space ($9 million). Longer-term projects are underway in information technology, grants management, call centers, business services, fleet management, enterprise-wide licensing and permitting, and learning management.

- **Fringe Benefits (New Proposals):** Savings are achieved by the planned pre-payment of certain pension obligations in FY 2012 to avoid annual interest costs ($30 million); increasing Federal Medicare Part D reimbursements through the conversion of the retiree drug coverage program from the current Retiree Drug Subsidy to an Employer Group Waiver Plan ($26 million); and extending to employees of certain State public authorities the State's existing policy that requires State employees and retirees to contribute toward the cost of Medicare Part B premium reimbursement ($11 million).

LOCAL ASSISTANCE

Local assistance spending includes financial aid to local governments and non-profit organizations, as well as entitlement payments to individuals. State Operating Funds spending for local assistance is estimated at $59.1 billion in FY 2013, an increase of $1.5 billion (2.6 percent) from the current year. Reductions from the FY 2013 current-services forecast for local assistance include both targeted actions and additional savings from the continuation of prior-year cost containment actions, which together contribute $756 million to the General Fund gap-closing plan.

The most significant gap-closing actions in local assistance include the following:

- **Human Services Cost-of-Living Increases/Trends:** The Budget proposes eliminating the automatic 3.6 percent human services “cost-of-living” increase and maintaining existing rates for other programs, including OMH residential treatment facilities, community residences, family-based treatment, and various residential and day programs for individuals with developmental disabilities. Beginning in FY 2014, a new system will take effect that will provide annual adjustments based on actual costs and performance.

- **Mental Hygiene:** Savings are expected to result from continued programmatic reviews of OMH providers, and from expanded efforts to recover State funds through enhanced audit activities and financial reviews of not-for-profit providers; stringent cost controls and reduced use of institutional services, and investments in community based OPWDD programs; restructuring the Continuing Day Treatment program, shifting funding to more effective program models; and converting residential pipeline units to lower-cost alternatives.

- **Social Services/Housing:** Savings are expected through streamlining and restructuring financing of child support administration; eliminating funding for a shelter supplement initiative; and phasing in the planned 10 percent increase in public assistance grants over two years (5 percent in 2012 and 5 percent in 2013). In addition, funding for the Neighborhood and Rural Preservation programs would be eliminated.

- **Public Health:** Disbursement projections have been adjusted to reflect claims by municipalities in the GPHW program and other trends.

- **Other Local Programs:** Savings are expected across multiple functions and program areas. These include cost-based revisions to School Aid based on updated claiming information from school districts and the estimated growth in NYS personal income; updated payment schedules for the Local Government Performance and Efficiency Program; and updated cost estimates for certain other programs. Savings are partially offset by increases in TAP funding driven by tuition increases and updated participation trends and funding for the Close to Home Juvenile Justice Initiative.

In addition, changes in General Fund Medicaid spending reflect reduced HCRA financing due to downward revisions to cigarette tax forecasts, an acceleration of financing for capital improvements at health care facilities throughout the State, and multi-year revisions to estimated spending for the EPIC program and other HCRA programs. Projected Medicaid spending has also been updated for the estimated impact of enhanced Federal Financial Participation for individuals and couples without children, pursuant to Federal Health Care Reform, which is expected to lower the State share of Medicaid spending in FYs 2015 and 2016.

NEW INITIATIVES/INVESTMENTS

- **Local Government Medicaid Growth/Administrative Takeover:** The FY 2013 Executive Budget includes proposals to establish a phased-in takeover of local government administration of the Medicaid program and to cap spending on local Medicaid administration at FY 2012 appropriated levels. The FY 2013 Executive Budget also provides Medicaid relief for all counties and New York City by reducing growth in local Medicaid payments.

- **Agency Redesign - Enterprise Services:** The Executive Budget reflects investments to improve State operations. Specifically, State support for OFT and OGS has been increased to cover costs associated with the more centralized role these agencies are expected to take in providing shared business services, which are now decentralized across many State agencies. These services include management of the State's assets, the streamlining of procurement processes, and the consolidation of technical and administrative resources. The greater centralization of these services is expected to achieve statewide savings and allow agencies to better focus on their core missions. These investments are expected to generate significant statewide savings in the upcoming fiscal years of the Current Financial Plan from cost reductions, increased efficiency, and business transformation.

- **SSI Administration Takeover:** The Executive Budget recommends that the State take over administration of the State's participation in the Federal Supplemental Security Income Benefit currently administered by the Federal government, which is expected to generate savings in the later years of the Current Financial Plan.

- **Protection of Vulnerable Populations:** Pursuant to preliminary recommendations of the Governor's Special Advisor on Vulnerable Persons, a new centralized hotline will be established for reporting allegations of abuse and neglect of vulnerable persons in certain programs operated by State agencies, including Mental Hygiene, Health and Education.

- **Rental Assistance Program:** Increased funding is recommended for the Rural Rental Assistance Program that provides State funded rental subsidies to approximately 4,700 low income occupants of rural housing projects financed by the Federal Department of Agriculture.

NEW COSTS

- **TANF Child Care Replacement:** Less Federal funding from the Temporary Assistance for Needy Families (TANF) program is expected to be available in FY 2013. Therefore, State General Fund support has been increased to maintain current funding levels in the child care program.

- **Mental Hygiene System Funding:** Ongoing de-institutionalization efforts, which will allow individuals currently residing in State-operated Developmental Centers to be placed in more clinically appropriate settings based on their needs and abilities, is expected to reduce Federal Medicaid revenues.

- **Excess Pension Payment:** The Current Financial Plan assumes the State will increase its annual pension contribution, starting in FY 2014, above the minimum level required under the 2010 amortization legislation, thereby lowering long-term interest costs.

PROJECTED CLOSING BALANCES

DOB estimates that the General Fund will end with balances of $1.7 billion in FY 2012 and $1.8 billion in FY 2013. The following table summarizes the balances within the General Fund.

GENERAL FUND ESTIMATED CLOSING BALANCES
(millions of dollars)

	FY 2012 Current	Annual Change	FY 2013 Proposed
Projected Fund Balance	**1,675**	**123**	**1,798**
Statutory Reserves:			
Tax Stabilization Reserve Fund	1,031	0	1,031
Rainy Day Reserve Fund	275	0	275
Contingency Reserve Fund	21	0	21
Community Projects Fund	51	(51)	0
Reserved for:			
Prior Year Labor Agreements (2007-2011)	284	174	458
Reserved for Debt Reduction	13	0	13

The closing balances in each year include amounts reserved to cover the costs of potential retroactive labor settlements with unions that have not agreed to terms for prior contract periods. The amounts are calculated based on the pattern settlement for the FY 2008 through FY 2011 period agreed to by the State's largest unions. The Current Financial Plan assumes that no additional agreements will be financed from the reserve in FY 2012 beyond the APSU agreement described above, and that the remaining reserve will be carried forward into FY 2013. Reserves will be reduced as subsequent labor agreements for prior periods are reached.

The Community Projects Fund, which finances discretionary ("member item") grants allocated by the Legislature and Governor, is expected to decrease by $51 million, reflecting the spend-down of the balance and no planned future deposits.

Balances in the State's principal reserve funds are expected to remain unchanged in FY 2013.

YEAR-TO-DATE OPERATING RESULTS

GENERAL FUND RESULTS VERSUS MID-YEAR UPDATE

Through the first nine months of FY 2012, General Fund receipts, including transfers from other funds, totaled $39.2 billion, or $11 million above the forecast in the Mid-Year Update. General Fund disbursements, including transfers to other funds, totaled $38.3 billion through December 2011, or $342 million below the Mid-Year forecast. The favorable results were due in part to the timing of certain payments and lower spending across a number of programs. This information has been reflected in the revised annual disbursement estimates.

GENERAL FUND OPERATING RESULTS THROUGH DECEMBER 2011
(millions of dollars)

	Projections			Favorable/ (Unfavorable) vs.	
	Enacted Budget	Mid-Year Update	Actual Results	Enacted Budget	Mid-Year Update
Opening Balance	**1,376**	**1,376**	**1,376**	**0**	**0**
Receipts	**39,093**	**39,227**	**39,238**	**145**	**11**
Personal Income Tax[1]	23,039	23,338	23,163	124	(175)
User Taxes and Fees[1]	8,853	8,794	8,849	(4)	55
Business Taxes	3,900	3,777	3,723	(177)	(54)
Other Taxes[1]	1,087	1,171	1,194	107	23
Non-Tax Revenue	2,214	2,147	2,309	95	162
Disbursements	**38,563**	**38,641**	**38,299**	**264**	**342**
Education	11,047	10,843	10,644	403	199
Health Care	8,727	8,835	8,878	(151)	(43)
Social Services	2,315	2,085	2,044	271	41
All Other Local	4,063	4,346	4,266	(203)	80
Personal Service	4,357	4,580	4,633	(276)	(53)
Non-Personal Service	1,323	1,186	1,194	129	(8)
General State Charges	2,595	2,675	2,506	89	169
Transfers To Other Funds	4,136	4,091	4,134	2	(43)
Change in Operations	**530**	**586**	**939**	**409**	**353**
Closing Balance	**1,906**	**1,962**	**2,315**	**409**	**353**

[1] Includes transfers from other funds after debt service.

RECEIPTS VARIANCE FROM MID-YEAR PLAN

Through the first nine months of FY 2012, General Fund receipts, including transfers from other funds, totaled $39.2 billion, or $11 million above the forecast in the Mid-Year Update. Total taxes, including transfers from other funds after debt service, were $151 million lower than projected, mainly due to lower collections in personal income taxes and business taxes, reflecting slower than expected wage and non-wage income growth and continued weakness in the general business, insurance, and telecommunication sectors. These lower receipts were partially offset by higher than expected collections from user taxes and other tax revenue. Non-tax receipts (including miscellaneous receipts) exceeded estimates, primarily attributable to earlier than expected abandoned property receipts.

DISBURSEMENTS VARIANCE FROM MID-YEAR PLAN

Disbursements through December 2011 fell below projections, consistent with the pattern observed in prior months. While the variance for some programs appears to be due to the timing of payments, a review of overall spending patterns indicates that the annual disbursements estimate for the current year should be reduced from the Mid-Year estimate. (See "Financial Plan Overview -- Current Fiscal Year (FY 2012)" herein.)

Disbursements for education and Medicaid, the two largest components of the General Fund, generally appear to be in line with annual estimates. The variances to date reflect routine differences in the timing of payments and the application of resources from other funds. Lower than expected spending to date in other local assistance programs, including public health and mental health, is expected to translate into reduced annual disbursements.

Disbursements for State Operations through December 2011 exceeded planned levels. This appears to be primarily due to the processing of certain accounting transactions by several State agencies. The annual estimate for State Operations has been increased modestly due to overall trends in non-personal spending and the APSU labor settlement.

Lower spending in GSCs reflects the impact of overall attrition rates, and lower disbursements for health insurance premiums and other costs. The annual estimate for GSCs, excluding the impact of a planned excess pension payment, has been lowered to reflect updated trends.

GENERAL FUND YEAR-OVER-YEAR RESULTS

GENERAL FUND OPERATING RESULTS YEAR OVER YEAR APRIL THROUGH DECEMBER (millions of dollars)				
	FY 2011 Results	FY 2012 Results	Increase/(Decrease) $	%
Opening Balance	**2,302**	**1,376**	**(926)**	
Receipts	**38,221**	**39,238**	**1,017**	**2.7%**
2010 STAR Deferral	2,405	-	(2,405)	-100.0%
Personal Income Tax[1]	20,354	23,163	2,809	13.8%
User Taxes and Fees[1]	8,536	8,849	313	3.7%
Business Taxes	3,430	3,723	293	8.5%
Other Taxes[1]	1,150	1,194	44	3.8%
Non-Tax Revenue	2,346	2,309	(37)	-1.6%
Disbursements	**37,515**	**38,299**	**784**	**2.1%**
2010 School Aid Deferral	2,060	0	(2,060)	-100.0%
Education	10,665	10,644	(21)	-0.2%
Health Care	6,064	8,878	2,814	46.4%
Social Services	2,081	2,044	(37)	-1.8%
All Other Local	4,093	4,266	173	4.2%
Personal Service	4,814	4,633	(181)	-3.8%
Non-Personal Service	1,299	1,194	(105)	-8.1%
General State Charges	2,297	2,506	209	9.1%
Transfers To Other Funds	4,142	4,134	(8)	-0.2%
Change in Operations	**706**	**939**	**233**	
Closing Balance	**3,008**	**2,315**	**(693)**	

[1] Includes transfers from other funds after debt service.

The comparison of results on a year-over-year basis is affected by a number of cash management actions taken by the State in FY 2010 and FY 2011 to preserve liquidity and manage expenses. The most significant actions that affect the comparison of results include:

- Cash management actions taken in FY 2010, which deferred $2.1 billion in payments from the final quarter of FY 2010 until the end of the first quarter of FY 2011. This had the effect of increasing the opening cash balance in FY 2011 and total spending for the fiscal year.

- Cash management actions taken in December 2010 (FY 2011) to defer certain deposits and payments by one month into January 2011 (the largest of which was the STAR deposit). No similar actions were needed in December 2011.

Excluding these cash management factors, receipts through December 2011 were approximately $3.4 billion higher than the same period in FY 2010. This was primarily due to growth in PIT receipts driven by a strong April 2011 PIT settlement; continued corporate profits from certain deferred tax credit claims that have aided the corporate franchise tax; and increased consumer spending, reflecting improved economic conditions.

Through December 2011, spending was $784 million (2.1 percent) higher than the same period last year. Excluding the deferral of the FY 2010 school aid payment, spending through December 2011 was

$2.8 billion above last year's level. The increase in local assistance is mainly due to Medicaid, reflecting expiration of the temporary enhanced Federal share of Medicaid costs that has added approximately $2 billion year-over-year to the State share through December 2011 and the payment of an extra Medicaid cycle in FY 2012 instead of FY 2011 ($322 million), which was approved as part of the FY 2010 Enacted Budget.

In addition, other local assistance programs with significant changes include: the timing of SUNY Community College Operating Aid payments ($147 million), a result of the timing of administrative payment to campuses during December 2010; higher TAP awards ($106 million), as enrollment figures continue to trend higher than in previous years; and spending for local assistance programs designated for certain economic development initiatives ($61 million). These increases in local assistance were partially offset by declining payments to not-for-profit mental hygiene service providers, primarily reflecting the impact of shifting the spending source for certain programs from the General Fund to other State funds in recent years; and lower year-to-year spending for other local programs.

Spending for agency operations has continued to decline, consistent with Financial Plan expectations. The decline in Personal Service ($181 million) reflects the impact of increased attrition, strict hiring controls, and other savings. The decline in Non-Personal Service reflects the continuing impact of statewide spending controls and agency redesign efforts. Increased year-over-year spending for GSCs ($209 million) reflects higher health insurance payments in FY 2012.

STATE OPERATING FUNDS RESULTS VERSUS MID-YEAR UPDATE

STATE OPERATING FUNDS RESULTS APRIL - DECEMBER 2011
(millions of dollars)

	Projections			Favorable/ (Unfavorable) vs.	
	Enacted Budget	Mid-Year Update	Actual Results	Enacted Budget	Mid-Year Update
Opening Balance	**3,970**	**3,970**	**3,969**	**(1)**	**(1)**
Receipts	**58,150**	**59,099**	**58,766**	**616**	**(333)**
Taxes	44,950	45,121	44,885	(65)	(236)
Miscellaneous/Federal Receipts	13,200	13,978	13,881	681	(97)
Disbursements	**61,190**	**61,922**	**61,390**	**(200)**	**532**
Education	13,630	13,426	13,227	403	199
Health Care	13,000	13,242	13,274	(274)	(32)
Social Services	2,326	2,094	2,055	271	39
All Other Local	12,136	12,681	12,499	(363)	182
Personal Service	8,795	9,014	9,025	(230)	(11)
Non-Personal Service	3,653	3,767	3,762	(109)	5
General State Charges	3,923	3,989	3,852	71	137
Debt Service	3,727	3,706	3,691	36	15
Capital Projects	0	3	5	(5)	(2)
Other Financing Sources	**3,598**	**3,596**	**3,564**	**(34)**	**(32)**
Change in Operations	**558**	**773**	**940**	**382**	**167**
Closing Balance	**4,528**	**4,743**	**4,909**	**381**	**166**

State Operating Funds results for receipts and disbursements are generally consistent with the General Fund variances described earlier. In addition to General Fund receipts variances, Miscellaneous receipts collections in other State funds were approximately $260 million below Financial Plan projections, reflecting lower receipts from tuition income ($81 million), youth facilities ($55 million), HCRA ($51 million), worker's compensation ($35 million) and other sources.

Additional spending variances are due to the timing of payments and are not expected to affect annual results. These include payments related to the STAR program ($87 million), operating aid for transit services provided by the MTA ($60 million) and regulatory support of the insurance industry ($27 million).

STATE OPERATING FUNDS YEAR-OVER-YEAR RESULTS

APRIL - DECEMBER STATE OPERATING FUNDS RESULTS YEAR OVER YEAR (millions of dollars)

	FY 2011 Results	FY 2012 Results	Increase/(Decrease) $	Increase/(Decrease) %
Opening Balance	**4,810**	**3,969**	**(841)**	
Receipts	**54,869**	**58,766**	**3,897**	**7.1%**
Taxes	41,245	44,885	3,640	8.8%
Miscellaneous/Federal Receipts	13,624	13,881	257	1.9%
Disbursements	**57,255**	**61,390**	**4,135**	**7.2%**
2010 School Aid Deferral	2,060	0	(2,060)	-100.0%
2010 STAR Deferral	(2,405)	0	2,405	N/A
Education	13,267	13,227	(40)	-0.3%
Health Care	10,343	13,274	2,931	28.3%
Social Services	2,089	2,055	(34)	-1.6%
All Other Local	11,931	12,499	568	4.8%
Personal Service	9,312	9,025	(287)	-3.1%
Non-Personal Service	3,469	3,762	293	8.4%
General State Charges	3,630	3,852	222	6.1%
Debt Service	3,542	3,691	149	4.2%
Capital Projects	17	5	(12)	-70.6%
Other Financing Sources	**3,866**	**3,564**	**(302)**	
Change in Operations	**1,480**	**940**	**(540)**	
Closing Balance	**6,290**	**4,909**	**(1,381)**	

The annual results for State Operating Funds tax receipts and spending, in addition to the General Fund annual changes, are mainly due to higher local assistance spending for the STAR program ($2.4 billion) due to the cash management actions described above, as authorized in statute, and mental hygiene programs ($255 million), reflecting timing associated with quarterly payments to not-for-profit service providers.

Agency Operations in other State funds has remained relatively flat year-over-year, reflecting the net impact of declining Personal Service costs, primarily in the mental hygiene and environmental agencies, and growth in year-over-year Non-Personal Service costs, which primarily reflects increased contractual services associated with expansions to SUNY-operated hospitals and campuses.

OTHER MATTERS AFFECTING THE FINANCIAL PLAN

GENERAL

The Current Financial Plan is subject to many complex economic, social, financial, and political risks and uncertainties, many of which are outside the ability of the State to control. DOB believes that the projections of receipts and disbursements in the Current Financial Plan are based on reasonable assumptions, but there can be no assurance that actual results will not differ materially and adversely from these projections. In certain fiscal years, actual receipts collections have fallen substantially below the levels forecast in the Financial Plan.

The Current Financial Plan is based on numerous assumptions, including the condition of the State and national economies and the concomitant receipt of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecasts include the impact of: national and international events such as the Euro-zone financial crisis on consumer confidence, oil supplies, and oil prices; Federal statutory and regulatory changes concerning financial sector activities; changes concerning financial sector bonus payouts, as well as any future legislation governing the structure of compensation; shifts in monetary policy affecting interest rates and the financial markets; financial and real estate market developments on bonus income and capital gains realizations; and household deleveraging on consumer spending and State tax collections.

Among other factors, the Current Financial Plan is subject to various other uncertainties and contingencies relating to the extent, if any, to which wage increases for State employees exceed the annual wage costs assumed; realization of the projected rate of return for pension fund assets and current assumptions with respect to wages for State employees affecting the State's required pension fund contributions; the willingness and ability of the Federal government to provide the aid contemplated by the Current Financial Plan; the ability of the State to implement cost reduction initiatives, including the reduction in State agency operations, and the success with which the State controls expenditures; and the ability of the State and its public authorities to market securities successfully in the public credit markets. Some of these specific issues are described in more detail in this AIS Update. The projections and assumptions contained in the Current Financial Plan are subject to revisions which may involve substantial change. No assurance can be given that these estimates and projections, which include actions the State expects to be taken but which are not within the State's control, will be realized.

BUDGET RISKS AND UNCERTAINTIES

The Governor’s FY 2013 Executive Budget is a proposal. There can be no assurance that the Legislature will not make changes that have an adverse impact on the budgetary projections set forth in that proposal, or that it will take final action on the Executive Budget before the start of the new fiscal year on April 1, 2012. In prior years when a budget has not been enacted by the start of the fiscal year, the State has enacted interim appropriation and Article VII bills to maintain certain governmental services. Since FY 1996, the Legislature has annually approved the State’s debt service appropriations by the start of each State fiscal year.

There can be no assurance that the State’s General Fund will end the current fiscal year in balance on a budgetary cash basis of accounting, or that the projected outyear budget gaps will not increase materially from current projections. If this were to occur, the State would be required to take additional gap-closing actions. These may include, but are not limited to, additional reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid;

suspension of capital maintenance and construction; extraordinary financing of operating expenses; or other measures. In some cases, the ability of the State to implement such actions requires the approval of the Legislature and cannot be implemented solely by the action of the Governor.

State law grants the Executive certain powers to achieve the Medicaid savings assumed in the Current Financial Plan. However, there can be no assurance that these powers will be sufficient to limit the rate of annual growth in DOH State Funds Medicaid spending to the levels estimated in the Executive Budget Financial Plan. In addition, savings are dependent upon timely Federal approvals, appropriate amendments to existing systems and processes, and the participation of health care industry stakeholders. In the current fiscal year, State-share Medicaid disbursements to date have been consistent with expectations.

The forecast 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 Current Financial Plan, including payments pursuant to the Tribal State Compact; and the achievement of cost-saving measures including, but not limited to, 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 Current Financial Plan in the current year or future years.

BUDGET PROCESS

The State Constitution permits the Governor to amend the Executive Budget proposal within 30 days of submission. DOB expects that the Governor will submit all amendments to his Executive Budget by February 16, 2012 as provided by law. Initial amendments to the FY 2013 Executive Budget were submitted on February 8, 2012. DOB expects to issue an updated Financial Plan that reflects the fiscal impact of any amendments, as well as updated economic, revenue, and spending forecasts through January 2012. At this time, based on a preliminary review of January 2012 operating results, DOB does not anticipate any material revisions to the Current Financial Plan projections set forth in this AIS Update.

By March 1, 2012, the Executive and the majority parties in each house of the Legislature must issue a joint report containing a consensus forecast of the economy and estimates for receipts in the current year and for FY 2013. If there is a failure to issue a joint report containing a consensus forecast, the State Comptroller must establish the receipts forecast by March 5, 2012. The State's new fiscal year begins on April 1, 2012.

STATUS OF CURRENT LABOR NEGOTIATIONS

The State has a five-year labor contract with the State's largest union, CSEA, and a four-year labor contract with the State's second-largest State employee union, PEF. Under both PEF and CSEA labor contracts, there are no general salary increases for three years (FY 2012 through FY 2014). Employee compensation during FY 2012 and FY 2013 will be temporarily reduced. Employees will receive deficit reduction leave (totaling nine days). CSEA-represented employees will receive a $1,000 lump sum payment ($775 paid in FY 2014 and $225 paid in FY 2015). Employees will receive a 2 percent salary increase in FY 2015 under both agreements, and CSEA-represented employees will receive a 2 percent increase in FY 2016. Employees represented by CSEA will be repaid the value of four days in equal consecutive installments starting at the end of the CSEA contract term and employees represented by PEF will be repaid the value of nine days in equal consecutive installments starting in FY 2016. The agreements also include substantial changes to employee health care contributions.

Under the agreements, employees in these unions have contingent layoff protection for FYs 2012 and 2013 and continuing protection for the full term of the agreements. Workforce reductions due to management decisions to close or restructure facilities authorized by legislation, SAGE Commission recommendations, or material or unanticipated changes in the State's fiscal circumstances are not covered by this protection.

Negotiations with the State's other unions, which represent approximately 35 percent of the State workforce, are ongoing. The largest of these unions, with whom negotiations are continuing, are UUP, which represents faculty and non-teaching professional staff within the State University system, and NYSCOPBA, which represents the State's correction officers.

LABOR SETTLEMENTS FOR PRIOR CONTRACT PERIODS

The Current Financial Plan continues to include a reserve to cover the costs of a pattern settlement with all unions that have not agreed to contracts through FY 2011. The pattern is based on the general salary increases agreed to by the State's largest unions for the same period. There can be no assurance that actual settlements, some of which are subject to binding arbitration, will not exceed the amounts reserved.

In August 2011, a statutorily authorized judicial compensation commission authorized a multi-year plan to provide salary increases for judges beginning in FY 2013, which will automatically take effect barring action by the Legislature and the Governor to obviate the increases. The Current Financial Plan assumes salary increases in the Judiciary's current budget projections.

CURRENT CASH-FLOW PROJECTIONS

The State authorizes the General Fund to borrow resources temporarily from other available funds in STIP for up to four months, or to the end of the fiscal year, whichever period is shorter. The amount of resources that the State can loan to 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 and a relatively small amount of other moneys belonging to the State. Several accounts in Debt Service Funds and Capital Projects Funds that are part of All Governmental Funds are excluded from the balances deemed available in STIP. These excluded funds consist of bond proceeds and money obligated for debt service payments.

FY 2012

Through the first nine months of FY 2012, the State relied on its authorization to borrow from STIP to meet certain General Fund payment obligations in April 2011, and repaid such amounts by the end of April 2011. While the State may rely on this borrowing authority at other times during the remaining months of FY 2012, it is expected that such amounts will be repaid by the end of the month in which the borrowing occurs.

The State continues to reserve money on a quarterly basis for debt service payments 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.

DOB will continue to monitor and manage the State's cash position closely during the final quarter of the fiscal year in an effort to maintain adequate operating balances.

FY 2013

Under the Executive Budget proposal, DOB estimates that the State will have sufficient liquidity to make payments as they become due. Consistent with prior years, DOB estimates that General Fund balances will reach relatively low levels in May, June, August, and December 2012. The following table provides an estimate of month-end balances for FY 2013. This information will be updated with the Enacted Budget Financial Plan.

PROJECTED ALL FUNDS MONTH-END CASH BALANCES
FY 2013
(millions of dollars)

	General Fund	Other Funds	All Funds
April	4,599	3,223	7,822
May	1,382	3,624	5,006
June	1,773	2,846	4,619
July	2,028	3,443	5,471
August	1,493	4,437	5,930
September	4,834	2,100	6,934
October	3,601	2,578	6,179
November	2,542	3,318	5,860
December	1,873	2,266	4,139
January	6,299	4,240	10,539
February	6,169	4,565	10,734
March	1,675	2,675	4,350

PENSION AMORTIZATION

Under legislation enacted in FY 2011, the State and local governments may amortize (defer paying) a portion of their pension costs beginning in FY 2011. Amortization temporarily reduces the pension costs that must be paid by public employers in a given fiscal year, but results in higher costs overall when repaid with interest. The legislation enacted a formula to set amortization thresholds for each year. The amortization thresholds may increase or decrease by up to one percentage point annually. Pension contribution costs in excess of the amortization thresholds, which are 10.5 percent of payroll for the Employees Retirement System (ERS) and 18.5 percent for the Police and Fire Retirement System (PFRS) in FY 2012, may be amortized.

The Current Financial Plan assumes that the State will amortize a portion of its pension costs, pursuant to the FY 2011 legislation. The State's minimum ERS pension contribution rate, as a percentage of payroll was 9.5 percent in FY 2011, is 10.5 percent in FY 2012 and 11.5 percent in FY 2013, and is expected to be 12.5 percent in FY 2014 and 13.5 percent in FY 2015. The PFRS rate was 17.5 percent in FY 2011, is 18.5 percent in FY 2012 and 19.5 percent in FY 2013 and is expected to be 20.5 percent in FY 2014 and 21.5 percent in FY 2015. The authorizing legislation also permits amortization in all future years if the actuarial contribution rate is greater than the amortization thresholds. In addition, the State will begin repayment of the amounts amortized, beginning in the fiscal year immediately following the amortizations. Repayment of the amortized amounts will be made over a period of not more than ten years at an interest rate to be determined by the State Comptroller annually for amounts amortized in that year and with the rate fixed for the entire term of that amortization.

In March 2011, the State made a pension payment of $1.078 billion for FY 2011, and amortized $216 million. The State prepaid $46 million earlier in fiscal year 2011. In addition, the State's Office of Court Administration (OCA) made its pension payment of $179 million, and amortized $33 million. The $249 million in total deferred payments will be repaid with interest over the next ten years, beginning in the current fiscal year, FY 2012. For amounts amortized in FY 2011, the Comptroller set an interest rate of 5 percent, and has set an interest rate of 3.75 percent for amounts amortized for FY 2012. The Current Financial Plan assumes that both the State and OCA will elect to amortize pension costs in future years, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB to be 5 percent over ten years from the date of each deferred payment.

The following table, which summarizes pension contributions and projections for future fiscal years, reflects the "Normal Costs" of pension contributions as the amount the State would contribute to fund pensions before amortization, along with "New Amortized Amounts" assumed in upcoming years. The repayment costs associated with these amortizations are reflected as the "Amortization Payment." Consistent with these amortization assumptions, Part TT of Chapter 57 of the Laws of 2010 requires that (a) the State make "Additional Contributions" in upcoming fiscal years, above the actuarially required contribution, and (b) once all outstanding amortizations are paid off, additional contributions will be set aside as "Reserves for Rate Increases," to be invested by the State Comptroller and used to offset future rate increases. Projections in the following table are based on certain assumptions about actuarial factors on investment earnings and benefits to be paid, and actual results may vary from the projections provided in the following table.

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM [1]
PENSION CONTRIBUTIONS AND OUTYEAR PROJECTIONS
(millions of dollars)

Fiscal Year	Normal Costs[2]	New Amortized Amounts	Amortization Payment	Additional Contributions	Total	Reserves for Rate Increases	Plus Interest at 5%
2011 Actual	1,552.8	(249.6)	0.0	0.0	1,303.2	0.0	0.0
2012 Projected	2,056.9	(574.8)	32.3	0.0	1,514.4	0.0	0.0
2013 Projected	2,087.8	(782.0)	102.3	0.0	1,408.1	0.0	0.0
2014 Projected	2,393.2	(770.6)	197.5	0.0	1,820.1	0.0	0.0
2015 Projected	2,688.3	(915.5)	291.4	0.0	2,064.2	0.0	0.0
2016 Projected	2,425.7	(553.9)	402.8	0.0	2,274.6	0.0	0.0
2017 Projected	2,317.1	(435.3)	470.3	0.0	2,352.1	0.0	0.0
2018 Projected	2,399.3	(343.4)	523.3	0.0	2,579.2	0.0	0.0
2019 Projected	2,434.4	(195.7)	565.1	0.0	2,803.8	0.0	0.0
2020 Projected	2,510.3	(93.2)	588.9	0.0	3,006.0	0.0	0.0
2021 Projected	2,649.7	(34.9)	600.3	0.0	3,215.1	0.0	0.0
2022 Projected	2,197.4	0.0	572.2	362.7	3,132.3	0.0	0.0
2023 Projected	1,989.2	0.0	313.2	510.4	2,812.8	0.0	0.0
2024 Projected	1,766.6	0.0	84.9	666.6	2,518.1	340.3	357.3
2025 Projected	1,528.9	0.0	0.0	831.8	2,360.7	1,172.1	1,248.5
2026 Projected	1,125.9	0.0	0.0	1,155.8	2,281.7	2,327.9	2,524.5

Source: NYS DOB

1. Pension contribution values do not include pension costs related to the Optional Retirement Program and Teachers' Retirement System for SUNY and SED, whereas the projected pension disbursements in the Financial Plan tables presented in this update include these costs. Pension contribution values include the State Office of Court Administration (OCA).
2. Includes amortization payments from amortizations prior to FY 2011. Prior amortization repayments will end in FY 2016.
3. The amortization payment assumes an interest rate of 5 percent for each amortized amount. The actual rate for each amortized amount may be increased or decreased from this estimate.

FEDERAL ACTIONS

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes. Any reduction in Federal funding levels could have a materially adverse impact on the Current Financial Plan.

The Federal Budget Control Act ("BCA") established a Joint Select Committee for Deficit Reduction to achieve $1.2 trillion in deficit reduction over ten years. On November 21, 2011, the Joint Select Committee announced that it failed to reach agreement on actions to reduce the deficit. Pursuant to the BCA, deficit reduction will now be achieved through the sequestration process, with automatic reductions scheduled to begin in January 2013. The BCA prescribes that approximately 18 percent of the $1.2 trillion in deficit reduction can be attributed to assumed debt service savings, while the remainder must be achieved through spending reductions, divided evenly between the Defense Department and non-Defense spending.

The State is analyzing the potential impact of the BCA on the State Financial Plan and State economy. DOB estimates that, if the sequestration process were to operate as set forth in the BCA and without any further modification by Congress, New York State and local governments could lose approximately $5 billion in Federal funding over nine years, beginning in FY 2013. This does not account for potential declines in other revenues that may occur as a result of lost Federal funding. DOB will continue to refine its estimates and make adjustments to the Financial Plan as more definitive information becomes available.

In addition, the Current Financial Plan may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules. For example, all Medicaid claims are subject to audit and review by the Federal government. The Federal CMS recently engaged the State regarding claims for services provided to individuals in developmental centers operated by the New York State OPWDD. Although no official audit has commenced and the rates paid for these services are established in full accordance with the methodology set forth in the approved State Plan, adverse action by CMS relative to these claims could jeopardize a significant amount of Federal financial participation in the State Medicaid program. The State has begun the process of seeking CMS approval to proceed with the development of a new form of waiver (known as the "section 1115 demonstration waiver") to create a contemporary and sustainable system of service funding and delivery for individuals with developmental disabilities.

HEALTH INSURANCE COMPANY CONVERSIONS

State law permits a health insurance company to convert its organizational status from a not-for-profit to a for-profit corporation (a "health care conversion"), subject to a number of terms, conditions, and approvals. Under State law, the State must use the proceeds from a health care company conversion for health-care-related expenses. For planning purposes, the Current Financial Plan assumes no proceeds from a health care conversion in FY 2012, but counts on proceeds of $250 million in FY 2013 and $300 million in FYs 2014, 2015 and 2016, which would be deposited into the Health Care Reform Act (HCRA) account. If a conversion does not occur on the timetable or at the levels assumed in the Current Financial Plan, the State would be required to take other actions to increase available resources or to reduce planned spending from HCRA.

Generally Accepted Accounting Principles (GAAP)-Basis Projections

The State's 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 FY 2012, the General Fund GAAP Financial Plan shows total revenues of $48.1 billion, total expenditures of $58.4 billion, and net other financing sources of $9.3 billion, resulting in an operating deficit of $960 million.

In FY 2013, the General Fund GAAP Financial Plan shows total revenues of $50.2 billion, total expenditures of $59.8 billion, and net other financing sources of $9.3 billion, resulting in an operating deficit of $215 million. These results reflect the net impact of the Executive Budget gap-closing actions. DOB's detailed GAAP Financial Plans for FY 2012 through FY 2016 are provided in the Financial Plan Tables.

Other Post-Employment Benefits

Substantially all of the State's employees become eligible for post-employment benefits if they reach retirement while working for the State. In accordance with GASBS 45, the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for FY 2011, the ARC represents the annual level of funding that, if set-aside on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded liabilities of the plan over a period not to exceed thirty years. Amounts required but not actually set aside to pay for these benefits are accumulated with interest as part of the net OPEB obligation, after adjusting for amounts previously required.

As reported in the State's Basic Financial Statements for FY 2011, an actuarial valuation of OPEB liabilities was performed as of April 1, 2008 with results projected to April 1, 2010 for the fiscal year ended March 31, 2011. The valuation calculated the present value of the actuarial accrued total liability for benefits as of March 31, 2011 at $55.9 billion ($46.3 billion for the State and $9.6 billion for SUNY), determined using the Frozen Entry Age actuarial cost method, and is amortized over an open period of 30 years using the level percentage of projected payroll amortization method.

The net OPEB liability for FY 2011 totaled $3.7 billion ($3.1 billion for the State and $0.6 billion for SUNY) under the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. This was $2.5 billion ($2.1 billion for the State and $0.4 billion for SUNY) above the payments for retiree costs made by the State in FY 2011. 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 FY 2011 by $2.5 billion.

The State's actuarial consultant has provided an updated calculation of the ARC and annual OPEB costs. The updated calculation will ultimately be reflected in the financial statements for the State and SUNY for FY 2012. The updated calculation shows the present value of the actuarial accrued total liability for benefits at $74.3 billion ($62.0 billion for the State and $12.3 billion for SUNY).

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 Current 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.

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.

DEBT REFORM ACT RESTRICTIONS

The Debt Reform Act of 2000 restricts the issuance of State-supported debt to capital purposes only and limits such debt to a maximum term of 30 years. The Act limits the amount of new State-supported debt to 4 percent of State personal income and new State-supported debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued on and after April 1, 2000. The cap on new State-supported debt outstanding began at 0.75 percent of personal income in FY 2001 and was fully phased in at 4 percent of personal income during FY 2011, while the cap on new State-supported debt service costs began at 0.75 percent of All Funds receipts in FY 2001 and will increase until it is fully phased in at 5 percent during FY 2014. For the most recent annual calculation (October 2011), the State was in compliance with the statutory caps established by the Act.

Current projections estimate that debt outstanding and debt service will continue to remain below the limits imposed by the Act. However, the State is continuing through a period of declining debt capacity. Based on the most recent personal income and debt outstanding forecasts, the available room under the debt outstanding cap is expected to decline from $3.1 billion in FY 2012 to $314 million in FY 2014. The State may consider measures to address capital spending priorities, debt financing practices, the inherent volatility of personal income as a basis for long-term planning, and other factors affecting debt capacity as events warrant.

New Debt Outstanding (millions of dollars)					
Year	Personal Income	Cap %	Actual/ Recommended %	$ (Above)/Below	% (Above)/Below
FY 2012	982,118	4.00%	3.68%	3,094	0.32%
FY 2013	1,014,195	4.00%	3.88%	1,203	0.12%
FY 2014	1,057,395	4.00%	3.97%	314	0.03%
FY 2015	1,118,421	4.00%	3.95%	614	0.05%
FY 2016	1,179,167	4.00%	3.90%	1,218	0.10%
FY 2017	1,240,011	4.00%	3.80%	2,445	0.20%

New Debt Service Costs (millions of dollars)					
Year	All Funds Receipts	Cap %	Actual/ Recommended %	$ (Above)/Below	% (Above)/Below
FY 2012	132,307	4.65%	2.66%	2,632	1.99%
FY 2013	132,724	4.98%	2.87%	2,805	2.11%
FY 2014	137,947	5.00%	2.97%	2,798	2.03%
FY 2015	142,449	5.00%	3.05%	2,774	1.95%
FY 2016	147,169	5.00%	3.13%	2,747	1.87%
FY 2017	153,379	5.00%	3.17%	2,808	1.83%

SECURED HOSPITAL PROGRAM

Under the Secured Hospital program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to issue debt. The contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by the New York State MCFFA and by DASNY through the Secured Hospital program. In the event there are shortfalls in revenues from other sources, which include hospital payments made under loan agreements between DASNY and the hospitals, and certain reserve funds held by the applicable trustees for the bonds, the State is liable for the debt service. As of March 31, 2011, there is a total of $585 million of outstanding bonds for the program.

The financial condition of most hospitals in the State's Secured Hospital Program continues to deteriorate. Of the nine hospitals in the program, several are experiencing significant operating losses that are likely to impair their ability to remain current on their loan agreements with DASNY. In relation to the Secured Hospital Program, the Current Financial Plan projections reflect the assumption of additional costs of $3 million in FY 2013, $32 million in FY 2014, and $39 million annually thereafter. These estimates are based on the actual experience to date of the participants in the program, and cover the debt service costs for four hospitals that currently are not performing on the payment obligations to DASNY. The State has additional exposure of up to a maximum of $43 million annually, if all additional hospitals in the program failed to perform on their payment obligations to DASNY and if available reserve funds were depleted.

BOND MARKET

Implementation of the Current Financial Plan is dependent on the State's ability to market its bonds successfully. The State finances much of its capital spending in the first instance from the General Fund or STIP, which it then reimburses with proceeds from the sale of bonds. If the State cannot sell bonds at the levels (or on the timetable) expected in the capital plan, it can adversely affect the State's overall cash position and capital funding plan. The success of projected public sales will be subject to prevailing market conditions. Future developments in the financial markets generally, as well as future developments concerning the State and public discussion of such developments, may affect the market for outstanding State-supported and State-related debt.

LITIGATION

Litigation against the State may include potential challenges to the constitutionality of various actions. The State may also be affected by adverse decisions that are the result of various lawsuits. Such adverse decisions may not meet the materiality threshold to warrant individual description but, in the aggregate, could still adversely affect the State's Current Financial Plan. See the section on "Litigation and Arbitration" later in this Update.

ECONOMIC BACKDROP[2]

THE NATIONAL ECONOMY

The U.S. economic recovery survived an almost continuous series of setbacks in 2011 that included spiking energy prices, supply chain disruptions resulting from a virtual shutdown of the world's third largest economy, threats to the global financial system stemming from the European sovereign debt crisis, and uncertainty surrounding the U.S. government's own looming debt problems. As the impact of the oil shock and Japanese supply chain disruptions unwind, some positive momentum appears to be building, with the fourth quarter of 2011 exhibiting the strongest quarterly growth since the first half of 2010. However, the economy faces many headwinds going forward, including a slowing global economy, financial market volatility, continued weak income growth, and a very slowly moving housing sector. Consequently, real U.S. GDP is now projected to grow 2.2 percent for 2012, following growth of 1.7 percent for 2011.

With the euro-zone likely to have entered a recession in the fourth quarter and the large developing economies in Asia and Latin America slowing, the U.S. economy is expected to feel the pinch through lower export growth during the first half of 2012. Since a large portion of U.S. corporate earnings are derived from overseas activity, growth in U.S. corporate profits from current production is expected to decelerate to 4.7 percent in 2012, down from 7.9 percent in 2011, and 32.2 percent in 2010. The anticipated slowdown in production for export could modestly dampen employment growth yet again early this year, before picking up during the second half. U.S. nonagricultural employment is projected to grow 1.3 percent in 2012, following 1.2 percent growth in 2011. The absence of a sustained improvement in job growth will keep wage growth low as well, which in turn will help keep consumer price pressures at bay. The unwinding of the gasoline and food price spikes experienced in 2011 will keep consumer price inflation well below last year's rate. The rate of inflation, as measured by growth in the Consumer Price Index, is projected to fall from 3.1 percent in 2011 to 1.8 percent in 2012.

RISKS TO THE U.S. FORECAST

DOB’s outlook calls for the recovery from the nation’s worst recession since the 1930s to continue through 2012 at below-trend growth rates as the economy’s domestic momentum struggles with a recession in Europe and slower growth in other areas of the world. But there are a number of significant risks to the forecast, both positive and negative. If resolution of the euro-debt crisis should turn negative, and in the worst case result in a bank run (as occurred in September 2008), short-term credit markets could seize up and the U.S. economy could potentially be dragged back into a recession. A breakup of the euro-zone, or a dissolution of the euro itself, could have even worse consequences. Similarly, an economic “hard landing” in China would likely cause a deeper global slowdown than expected, resulting in slower export growth than is reflected in the forecast. In contrast, a slow but steady path to resolution of the euro-debt crisis, along with a milder recession in Europe and/or a more modest slowdown elsewhere, could result in stronger export and employment growth than anticipated.

The forecast assumes that the U.S. Congress will extend the payroll tax cut and Unemployment Insurance benefit extensions beyond the first two months of the year. If the Congress should fail to come to an agreement, household spending could be less than anticipated. Furthermore, should the failure to reach an agreement cause the household and business sector to lose confidence in the recovery, an even greater pullback in spending could ensue, resulting in much slower growth than is reflected in the

[2] Unless otherwise noted, all quarterly and annual references in this section of the AIS Update are to calendar years.

forecast. A renewed confidence in the recovery depends upon an improvement in the pace of job growth over the coming quarters. If that improvement fails to materialize, households may pull back once again, resulting in lower consumption growth than expected. Weaker household spending would ripple through the economy and likely result in lower investment growth as well. A substantial equity market correction could have a similar effect. In contrast, if actions taken by the Federal government inspire confidence within the business sector, employment and household spending growth could be stronger than expected.

The housing sector has been virtually absent from this recovery. If the number of home foreclosures is greater than expected, a housing market recovery could be further delayed. A surge in foreclosures could also impede the recovery in home prices, which would in turn delay the recovery in household net worth, also resulting in lower rates of household spending than projected. Alternatively, a large and sustained increase in household formation could result in stronger demand for housing and therefore a quicker recovery in home prices and construction employment than expected. Finally, oil prices are once again on the rise due to global tensions. These increases could cause gasoline prices to return to their lofty May 2011 peaks. Since energy price growth acts as a virtual tax on household spending, faster growth in the price of oil could also result in lower consumption spending than anticipated. A quick resolution of these tensions could send energy prices back down faster than expected, resulting in greater real household spending for non-energy goods and services.

THE NEW YORK STATE ECONOMY

The State coincident index indicates that New York's recovery got underway in early calendar year 2010, coinciding with the State economy's response to the Federal Reserve's highly accommodating monetary policy – its near-zero interest rate policy target and the historic expansion of its balance sheet. As home to the world's financial capital, the State economy is especially sensitive to monetary policy shifts. The strong economic stimulus provided by the central bank was reinforced by a weak dollar and strong foreign demand for State-produced goods and services, particularly those related to tourism. Foreign demand for New York City real estate has also been strong. These developments helped to support above average quarterly private year-ago job growth of an estimated 2.0 percent over the first three quarters of calendar year 2011. Private sector employment is estimated to have grown 1.9 percent for calendar year 2011 overall, following virtually flat growth of 0.2 percent in 2010. While private sector growth appears to have been broad-based, with even manufacturing seeing positive year-ago growth, government employment is estimated to have fallen during each quarter of 2011 on a year-ago basis, and 2.9 percent for the year.

Calendar year 2011 turned out to be an historically turbulent year for financial markets, with securities industry revenues falling sharply over the course of the year and the nation's banks perceived to be at risk due to the crisis in Europe. That turbulence occurred against a backdrop of an evolving regulatory environment that has altered the pattern of risk-taking behavior of Wall Street firms. These forces resulted in steadily deteriorating revenues over the course of last year, with NYSE member firms experiencing losses in the third quarter, the first since calendar year 2008. Fourth quarter revenues and profits are not anticipated to exhibit much improvement. Thus, with finance industry revenues in calendar year 2011 likely to be below the calendar year 2010 levels, and executive compensation likely to decline, finance and insurance industry bonus payouts for the FY 2012 bonus season are likely to be well below their FY 2011 levels, with finance and insurance sector bonuses for the first quarter of 2012 expected to be 34.4 percent below their year-ago total. Slower global growth and a stronger dollar are expected to result in slower private-sector job growth of 1.4 percent in 2012. Fiscal strains are expected to continue to put pressure on government employment at all levels; public sector jobs are expected to fall 1.0 percent in 2012. State wages are projected to rise 1.9 percent in 2012, following growth of 3.8

percent in 2011, with total personal income rising 3.3 percent in 2012, following growth of 4.5 in 2011. These growth rates are well below historical averages.

RISKS TO THE NEW YORK FORECAST

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, developments that have an impact on credit markets, such as the euro-debt crisis, pose a particularly large degree of risk for New York. Yet another financial crisis induced recession would be devastating for the State economy. Even lesser risks, such as a further erosion of equity prices could be quite destabilizing to the financial sector and ultimately bonuses and State wages overall. These risks are compounded by the uncertainty surrounding the implementation of financial reform, which is already altering the composition of bonus packages in favor of stock grants with long-term payouts and claw-back provisions, thus affecting the forecast for taxable wages. As financial regulations evolve, it is becoming increasingly uncertain as to when finance sector revenue generating activity such as trading, lending, and underwriting will return to pre-crisis levels, resulting in additional risk to the forecasts for bonuses and personal capital gains.

There are, however, some possible upside impacts to DOB's New York economic outlook as well. A stronger national or global economy than projected could increase the demand for New York goods and services, resulting in stronger job growth than projected. Such an outcome could lead to stronger levels of business activity and income growth than anticipated. If corporate earnings surprise to the upside, a stronger and earlier upturn in stock prices could result, stimulating additional financial market activity, and producing higher wage and bonus growth than currently projected. Of course, a stronger national economy could force the Federal Reserve to raise interest rates earlier or more rapidly than projected, which could negatively affect the State economy and the financial sector in particular.

SELECTED ECONOMIC INDICATORS
(Calendar Year)

	2010 (actual[1])	2011 (estimate)	2012 (forecast)	2013 (forecast)	2014 (forecast)	2015 (forecast)
U.S. Indicators						
Real Gross Domestic Product ($ B)	13,088	13,316	13,615	14,014	14,525	15,009
Percent Change	3.0	1.7	2.2	2.9	3.6	3.3
Personal Income ($ B)	12,374	12,955	13,401	13,943	14,772	15,618
Percent Change	3.7	4.7	3.4	4.0	5.9	5.7
Nonagricultural Employment (millions)	129.8	131.2	132.9	135.1	137.7	140.4
Percent Change	(0.7)	1.2	1.3	1.7	1.9	2.0
Unemployment Rate	9.6	9.0	8.6	8.2	7.6	7.1
CPI Inflation	1.6	3.1	1.8	2.1	2.1	2.3
New York State Indicators						
Personal Income[2] ($ B)	921.4	963.1	994.6	1,036.9	1,096.8	1,156.3
Percent Change	4.1	4.5	3.3	4.3	5.8	5.4
Wages and Salaries[2] ($ B)	502.0	521.3	531.5	557.6	585.1	613.3
Percent Change	4.4	3.8	1.9	4.9	4.9	4.8
Bonuses[3] ($ B)	68.2	71.7	63.8	67.8	72.0	76.2
Percent Change	20.7	5.2	(11.0)	6.3	6.1	5.9
Employment[2] (thousands)	8,318.7	8,408.5	8,490.9	8,577.2	8,659.7	8,731.7
Percent Change	0.1	1.1	1.0	1.0	1.0	0.8
Unemployment Rate (percent)	8.6	7.9	7.6	7.1	6.6	6.2
NYS Adjusted Gross Income (NYSAGI)						
Capital Gains[4] ($ millions)	48,163	56,744	79,721	63,159	65,182	74,496
Percent Change	42.2	17.8	40.5	(20.8)	3.2	14.3
Total NYSAGI ($ millions)	635,441	667,958	710,560	728,456	765,956	812,127
Percent Change	6.5	5.1	6.4	2.5	5.1	6.0

[1] For NYSAGI variables, 2010 is an estimate based on preliminary processing data.
[2] Nonagricultural employment, wage, and personal income numbers are based on QCEW data.
[3] Series created by the Division of the Budget.
[4] The swing from high growth in 2012 to a decline in 2013 assumes taxpayer anticipation of the expiration of the capital gains tax rate cut enacted in 2003.
Source: Moody's Analytics; NYS Department of Labor; NYS Department of Taxation and Finance; DOB staff estimates.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2016

The DOB estimates that the Executive Budget, if enacted as proposed, would provide for a balanced General Fund Financial Plan in FY 2013, and leave projected gaps that total approximately $715 million in FY 2014, $3.0 billion in FY 2015, and $3.7 billion in FY 2016. The net operating shortfall in State Operating Funds is projected at $2.2 billion in FY 2015 and $3.1 billion in FY 2016.

The imbalances projected for the General Fund and State Operating Funds in future years are similar because the General Fund is the financing source of last resort for many State programs. Imbalances in other funds are typically financed by the General Fund.

The following tables present the multi-year projections and growth rates for the General Fund and State Operating Funds, as well as a reconciliation between the State Operating Funds projections and the General Fund budget gaps. The tables are followed by a summary of the multi-year receipts and disbursements forecasts.

GENERAL FUND PROJECTIONS

MULTI-YEAR GENERAL FUND PROJECTIONS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Receipts					
Taxes (After Debt Service)	52,816	54,597	57,829	58,984	61,314
Miscellaneous Receipts/Federal Grants	3,304	3,129	2,638	2,243	2,336
Other Transfers	1,094	989	878	786	776
Total Receipts	**57,214**	**58,715**	**61,345**	**62,013**	**64,426**
Disbursements					
Local Assistance Grants	38,515	39,403	41,393	42,877	45,107
Education	18,500	18,832	19,731	20,595	21,614
Health Care	10,933	11,127	11,626	12,025	12,931
Mental Hygiene	1,903	1,868	2,063	2,182	2,276
Social Services	2,999	3,067	3,423	3,430	3,562
Higher Education	2,589	2,629	2,753	2,845	2,925
All Other [1]	1,591	1,880	1,797	1,800	1,799
State Operations	7,565	7,588	6,974	7,150	7,524
Personal Service	5,770	5,729	5,362	5,473	5,731
Non-Personal Service	1,795	1,859	1,612	1,677	1,793
General State Charges	4,707	4,434	4,823	5,168	5,459
Gross State Pension Contribution	1,680	1,574	1,986	2,230	2,440
Gross State Employee Health Insurance	3,291	3,240	3,408	3,667	3,949
Fringe Benefit Escrow Offset/Fixed Costs	(264)	(380)	(571)	(729)	(930)
Transfers to Other Funds	6,128	7,167	8,736	9,659	9,925
Debt Service	1,539	1,610	1,681	1,611	1,585
Capital Projects	790	1,079	1,278	1,403	1,298
State Share Medicaid	2,912	2,903	2,697	2,551	2,451
Mental Hygiene	0	69	955	1,886	2,475
Medicaid Payments for State Facility Patients	244	244	244	244	244
SUNY - University Operations	0	390	976	995	1,015
SUNY - Hospital Operations	60	60	60	60	60
Department of Transportation (MTA Tax)	25	279	332	334	334
Judiciary Funds	113	115	116	117	118
Banking Services	61	57	65	65	65
Financial Management System	36	50	55	55	55
Indigent Legal Services	40	40	40	40	40
All Other	308	271	237	298	185
Total Disbursements	**56,915**	**58,592**	**61,926**	**64,854**	**68,015**
Change in Reserves	**299**	**123**	**134**	**133**	**132**
Prior-Year Labor Agreements (2007-11) [2]	284	174	134	133	132
Community Projects Fund	(85)	(51)	0	0	0
Rainy Day Fund	100	0	0	0	0
Budget Surplus/(Gap) Before Actions	**0**	**0**	**(715)**	**(2,974)**	**(3,721)**

[1] All Other includes local aid spending in a number of other programs, including general municipal aid and incentives, parks and the environment, economic development, and public safety.

[2] Fund balances will roll to next fiscal year, if unspent in FY 2012.

STATE OPERATING FUNDS PROJECTIONS

STATE OPERATING FUNDS PROJECTIONS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Receipts					
Taxes	63,199	65,132	68,832	70,510	73,250
Miscellaneous Receipts/Federal Grants	19,480	20,159	20,127	20,023	20,159
Total Receipts	**82,679**	**85,291**	**88,959**	**90,533**	**93,409**
Disbursements					
Local Assistance Grants	57,548	59,060	61,835	63,941	66,255
School Aid	19,677	20,002	20,815	21,613	22,558
STAR	3,293	3,322	3,508	3,691	3,793
Other Education Aid	1,719	1,890	1,980	2,051	2,126
Higher Education	2,605	2,662	2,769	2,845	2,925
Medicaid (DOH incl. administration)	15,280	15,859	16,513	17,049	17,895
Public Health/Aging	2,134	2,033	2,115	2,198	2,051
Mental Hygiene	3,580	3,576	3,969	4,231	4,423
Social Services	3,010	3,072	3,424	3,431	3,563
Transportation	4,257	4,398	4,556	4,650	4,745
Local Government Assistance	758	776	786	801	803
All Other [1]	1,235	1,470	1,400	1,381	1,373
State Operations	17,087	17,132	17,385	17,873	18,584
Personal Service	11,876	11,965	12,199	12,522	13,054
Non-Personal Service	5,211	5,167	5,186	5,351	5,530
General State Charges	6,536	6,388	6,917	7,428	7,880
Pension Contribution	1,680	1,574	1,986	2,230	2,440
Health Insurance (Active Employees)	2,057	2,025	2,130	2,292	2,468
Health Insurance (Retired Employees)	1,234	1,215	1,278	1,375	1,481
All Other	1,565	1,574	1,523	1,531	1,491
Debt Service	5,872	6,149	6,449	6,568	6,705
Capital Projects	5	5	5	5	5
Total Disbursements	**87,048**	**88,734**	**92,591**	**95,815**	**99,429**
Net Other Financing Sources/(Uses)	4,524	4,044	3,677	3,114	2,915
Net Operating Surplus/(Deficit)	**155**	**601**	**45**	**(2,168)**	**(3,105)**
Reconciliation to General Fund Gap:					
Designated Fund Balances	**(155)**	**(601)**	**(760)**	**(806)**	**(616)**
General Fund	(299)	(123)	(134)	(133)	(132)
Special Revenue Funds	239	(401)	(549)	(558)	(499)
Debt Service Funds	(95)	(77)	(77)	(115)	15
General Fund Budget Gap	**0**	**0**	**(715)**	**(2,974)**	**(3,721)**

[1] All Other includes school aid deferral and local aid spending in a number of other programs, including parks and the environment, economic development, and public safety.

RECEIPTS PROJECTIONS

Revenue results during the current fiscal year have been of two extremes: strong growth during the first half of the year and much weaker growth during the latter half. A significant portion of the growth during the first part of the year was due to a strong tax year 2010 personal income tax settlement. After inching up 2.7 percent in FY 2011, base tax growth is estimated to increase 7.5 percent in FY 2012, but projected to decelerate to 5.7 percent growth in FY 2013, reflecting a continuation of the overall slower growth witnessed during the second half of FY 2012. Consistent with the economic factors described above, revenue collections have exhibited their own volatility. In particular, business tax estimated payments received in December 2011 were flat compared to December 2010, and personal income tax estimated payments received in January 2012 actually declined year over year, both of which are unusual at this point in a recovery. The estimated decline in personal income tax payments likely reflects the economic changes that took place during the course of calendar year 2011 - the first half of the year provided strong positive wage and nonwage income gains resulting in double-digit growth in estimated payments in June and September, but the roller coaster stock market ride caused by the euro crisis and financial sector cutbacks that are believed to have occurred during the second half of the year likely left high-income taxpayers overpaid for tax year 2011. In contrast, sales tax receipts exceeded expectations late in 2011 due to a strong holiday shopping season. Unlike FY 2011, when there was uncertainty surrounding the impacts of potential changes in the timing and level of financial sector bonus payments, there is sufficient evidence that financial sector bonus payments made for the next two months will fall by a significant double digit percentage from the same period last year - DOB's forecast calls for a 32 percent decline.

After slowing in FY 2012, average wage, total wage, and personal income growth is expected to recover and result in net growth in personal income tax receipts of 4.3 percent, after accounting for the combined impact of the sunset of the high income surcharge and enactment of PIT reform in December 2011. Projected corporate profits growth for the 2012 calendar year, combined with an incremental gain from tax credit deferral legislation enacted in 2010, should provide a second consecutive year of growth in business tax receipts in FY 2013. Income and employment growth, partially offset by the return of the full tax exemption on clothing, is expected to produce sales tax growth of 1.9 percent in FY 2013.

Governmental Funds
Actual and Base Tax Receipts Growth
(percent growth)

State Fiscal Year	Actual Receipts	Base Receipts	Inflation Adjusted Base Receipts
1988-89	1.6	2.9	(1.3)
1989-90	6.8	8.3	3.3
1990-91	(0.8)	(3.8)	(9.2)
1991-92	7.2	1.4	(2.3)
1992-93	6.1	5.0	1.8
1993-94	4.3	0.7	(2.2)
1994-95	0.1	1.5	(1.1)
1995-96	2.6	3.6	0.8
1996-97	2.0	2.6	(0.4)
1997-98	3.7	5.6	3.6
1998-99	7.2	7.9	6.5
1999-00	7.5	9.1	6.3
2000-01	7.9	10.1	6.7
2001-02	(4.9)	(4.2)	(6.4)
2002-03	(6.7)	(8.0)	(10.0)
2003-04	8.2	5.8	3.8
2004-05	13.4	11.5	8.5
2005-06	10.2	9.3	5.8
2006-07	9.7	4.9	2.0
2007-08	3.7	13.5	10.2
2008-09	(0.8)	(3.1)	(5.8)
2009-10	(3.2)	(12.4)	(12.7)
2010-11	5.6	2.7	1.1
2011-12*	6.0	7.5	4.1
2012-13**	3.0	5.7	3.6
2013-14**	5.7	6.3	4.2
2014-15**	2.4	5.2	3.1
2015-16**	3.8	4.8	2.5

	Actual Change	Base Change	Adjusted Base Change
Historical Average (88-89 to 10-11)	4.0	3.2	0.4
Forecast Average (11-12 to 15-16)	4.2	5.9	3.5
Forecast Average (12-13 to 15-16)	3.7	5.5	3.3
Recessions	1.3	(1.2)	(4.2)
Expansions	5.7	6.1	3.3

*Estimated Receipts

**Projected Receipts

TOTAL RECEIPTS (millions of dollars)							
	2010-11 Actual	2011-12 Estimated	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund	**54,447**	**57,214**	**2,767**	**5.1%**	**58,715**	**1,501**	**2.6%**
Taxes	39,205	41,920	2,715	6.9%	43,373	1,453	3.5%
Miscellaneous Receipts	3,095	3,244	149	4.8%	3,069	(175)	-5.4%
Federal Grants	54	60	6	11.1%	60	0	0.0%
Transfers	12,093	11,990	(103)	-0.9%	12,213	223	1.9%
State Funds	**83,981**	**88,377**	**4,396**	**5.2%**	**90,802**	**2,425**	**2.7%**
Taxes	60,870	64,532	3,662	6.0%	66,533	2,001	3.1%
Miscellaneous Receipts	22,994	23,700	706	3.1%	24,124	424	1.8%
Federal Grants	117	145	28	23.9%	145	0	0.0%
All Funds	**133,321**	**132,306**	**(1,015)**	**-0.8%**	**132,724**	**418**	**0.3%**
Taxes	60,870	64,532	3,662	6.0%	66,533	2,001	3.1%
Miscellaneous Receipts	23,148	23,832	684	3.0%	24,255	423	1.8%
Federal Grants	49,303	43,942	(5,361)	-10.9%	41,936	(2,006)	-4.6%

FY 2012 OVERVIEW

- Total All Funds receipts are estimated to reach $132.3 billion, a decline of $1 billion (0.8 percent) from FY 2011 results. All Funds tax receipts are estimated to increase by $3.7 billion, or 6 percent. The majority of the increase in tax receipts is attributable to growth in personal income tax collections. All Funds Federal Grants are expected to decline $5.4 billion (10.9 percent) due to ARRA funding declines.

- All Funds miscellaneous receipts are projected to reach $23.8 billion in FY 2012, an increase of $684 million from FY 2011. General Fund miscellaneous receipts are estimated to increase $149 million as well as growth in other areas, primarily SUNY revenue growth from expansions at the three SUNY teaching hospitals, enrollment growth, and greater bond proceeds available for SUNY capital projects ($694 million).

- Total State Funds receipts are estimated to reach $88.4 billion in FY 2012, an increase of $4.4 billion, or 5.2 percent.

- Total General Fund receipts are estimated at $57.2 billion, an increase of $2.8 billion, or 5.1 percent from FY 2011. General Fund tax receipts are estimated to increase by 6.9 percent. General Fund miscellaneous receipts are estimated to increase by 4.8 percent, reflecting gains from 2011 Abandoned Property legislation.

- Base tax receipts growth, which nets out the impact of law changes, will increase by an estimated 7.5 percent in FY 2012 after a modest base increase of 2.7 percent in FY 2011.

FY 2013 OVERVIEW

- Total All Funds receipts are projected to reach $132.7 billion, an increase of $418 million, or 0.3 percent from FY 2012 estimates. All Funds tax receipts are projected to grow by $2 billion or 3.1 percent. This increase is attributable to continued positive economic growth, partially offset by the net impact of expired and recently enacted personal income tax rate legislation.

- All Funds Miscellaneous receipts are projected to increase by $423 million, or 1.8 percent, driven by increases in HCRA ($669 million) and lottery receipts ($251 million) offset by a projected decline in programs financed with authority bond proceeds, including economic development and health projects ($255 million), and General Fund declines described below. All Funds Federal grants are expected to decrease by $2 billion, or 4.6 percent, primarily driven by the loss of ARRA funding.

- Total State Funds receipts are projected to be $90.8 billion, an increase of $2.4 billion, or 2.7 percent from the FY 2012 estimate.

- Total General Fund receipts are projected to be $58.7 billion, an increase of $1.5 billion, or 2.6 percent from FY 2012 estimates. General Fund tax receipts are projected to grow by 3.5 percent, while General Fund miscellaneous receipts are projected to decline by $175 million (5.4 percent). Federal grants revenues are projected to remain constant.

- After controlling for the impact of policy changes, base tax revenue growth is estimated to increase by 5.7 percent for FY 2013.

CHANGE FROM MID-YEAR UPDATE

CHANGE FROM MID-YEAR UPDATE FORECAST
(millions of dollars)

	2011-12				2012-13			
	Mid-Year Update	Executive Budget	$ Change	% Change	Mid-Year Update	Executive Budget	$ Change	% Change
General Fund[1]	**45,098**	**45,224**	**126**	**0.3%**	**45,286**	**46,502**	**1,216**	**2.7%**
Taxes	41,886	41,920	34	0.1%	42,202	43,373	1,171	2.8%
Miscellaneous Receipts	3,152	3,244	92	2.9%	3,024	3,069	45	1.5%
Federal Grants	60	60	0	0.0%	60	60	0	0.0%
State Funds	**87,816**	**88,377**	**561**	**0.6%**	**89,259**	**90,802**	**1,543**	**1.7%**
Taxes	64,503	64,532	29	0.0%	65,258	66,533	1,275	2.0%
Miscellaneous Receipts	23,168	23,700	532	2.3%	23,856	24,124	268	1.1%
Federal Grants	145	145	0	0.0%	145	145	0	0.0%
All Funds	**130,834**	**132,306**	**1,472**	**1.1%**	**128,779**	**132,724**	**3,945**	**3.1%**
Taxes	64,503	64,532	29	0.0%	65,258	66,533	1,275	2.0%
Miscellaneous Receipts	23,300	23,832	532	2.3%	23,987	24,255	268	1.1%
Federal Grants	43,031	43,942	911	2.1%	39,534	41,936	2,402	6.1%

[1] Excludes Transfers

- All funds receipts estimates have been revised upward by $1.5 billion for FY 2012 from the Mid-Year Update. The upward tax revision of $30 million is mostly due to the impact of the December 2011 personal income tax reform, stronger than expected sales tax receipts, and an increase in expected business tax audit receipts during the remainder of FY 2012, partially offset by weaker than expected personal income tax receipts.

- All Funds miscellaneous receipts in FY 2012 were revised upward by $532 million largely reflecting increased projections for programs financed with authority bond proceeds, including economic development ($343 million) and modest receipts revisions in various special revenue funds ($81 million) and the General Fund increase detailed below.

- All Funds Federal grants were revised upward in FY 2012 and FY 2013 from the Mid-Year update by $911 million and $2.4 billion, respectively, primarily driven by revisions to Medicaid spending.

- General Fund receipts for FY 2012 have been revised upward by $126 million, reflecting the All Funds tax changes noted above and year-to-date miscellaneous receipts collections.

- All Funds receipts estimates have been increased by nearly $3.9 billion for FY 2013 from the Mid-Year Update.

- All Funds miscellaneous receipts in FY 2013 were revised upward by $268 million, largely reflecting increased projections for programs financed with authority bond proceeds, including economic development, transportation and parks ($370 million), offset by declines in lottery receipts and receipts revisions in various special revenue funds ($146 million).

- General Fund receipts for FY 2013 have been revised upward by $1.2 billion. Tax revisions account for virtually all the increase (mainly from the December 2011 personal income tax reform).

FY 2013, FY 2014, FY 2015, AND FY 2016 OVERVIEW

TOTAL RECEIPTS
(millions of dollars)

	2012-13 Projected	2013-14 Projected	Annual $ Change	2014-15 Projected	Annual $ Change	2015-16 Projected	Annual $ Change
General Fund	**58,715**	**61,345**	**2,630**	**62,013**	**668**	**64,426**	**2,413**
Taxes	43,373	45,859	2,486	46,645	786	48,566	1,921
State Funds	**90,802**	**94,367**	**3,565**	**95,782**	**1,415**	**98,670**	**2,888**
Taxes	66,533	70,253	3,720	71,941	1,688	74,697	2,756
All Funds	**132,724**	**137,949**	**5,225**	**142,449**	**4,500**	**147,169**	**4,720**
Taxes	66,533	70,253	3,720	71,941	1,688	74,697	2,756

Overall, tax receipts growth in the three fiscal years following FY 2013 is expected to remain in the range of 2.4 percent to 5.6 percent. This is consistent with projected modest economic growth in the New York economy during this period and the sunset of personal income tax reform.

- Total All Funds receipts in FY 2014 are projected to be $137.9 billion, an increase of $5.2 billion over the prior year. All Funds receipts in FY 2015 are expected to increase by $4.5 billion over FY 2014 projections. In FY 2016, receipts are expected to increase by nearly $4.7 billion over FY 2015 projections.

- Total State Funds receipts are projected to be nearly $94.4 billion in FY 2014, $95.8 billion in FY 2015 and $98.7 billion in FY 2016.

- Total General Fund receipts are projected to reach just over $61.3 billion in FY 2014, $62 billion in FY 2015 and $64.4 billion in FY 2016.

- All Funds tax receipts are expected to increase by 5.6 percent in FY 2014, 2.4 percent in FY 2015 and 3.8 percent in FY 2016. Again, the growth pattern is consistent with an economic forecast for continued but slower economic growth.

BASE GROWTH

Base growth, adjusted for law changes, in tax receipts for FY 2012 is estimated to be 7.5 percent and 5.7 percent in FY 2013. Overall base growth in tax receipts is dependent on a multitude of factors.

The estimated base receipts growth in FY 2012 results from:

- A strong tax year 2010 personal income tax settlement;
- Moderate corporate profits growth and insurance premium growth; and
- Increased consumption resulting from wage and employment growth as well as the federal payroll tax cut.

The deceleration in base growth in FY 2013 results from:

- A decline in extension payments;
- Slower corporate profits growth; and
- Slower consumer spending growth resulting from a return of the full federal payroll tax.

PERSONAL INCOME TAX

PERSONAL INCOME TAX (millions of dollars)							
	2010-11 Actual	2011-12 Estimated	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund[1]	**23,894**	**25,705**	**1,811**	**7.6%**	**26,911**	**1,206**	**4.7%**
Gross Collections	44,002	45,891	1,889	4.3%	48,117	2,226	4.9%
Refunds/Offsets	(7,793)	(7,227)	566	-7.3%	(7,806)	(579)	8.0%
STAR	(3,263)	(3,293)	(30)	0.9%	(3,322)	(29)	0.9%
RBTF	(9,052)	(9,666)	(614)	6.8%	(10,078)	(412)	4.3%
State/All Funds	**36,209**	**38,664**	**2,455**	**6.8%**	**40,311**	**1,647**	**4.3%**
Gross Collections	44,002	45,891	1,889	4.3%	48,117	2,226	4.9%
Refunds	(7,793)	(7,227)	566	-7.3%	(7,806)	(579)	8.0%

[1] Excludes Transfers.

All Funds receipts for FY 2012 are estimated to be $38.7 billion, an increase of $2.5 billion (6.8 percent) from the prior year. This is primarily attributable to increases in extension payments of $1.2 billion for tax year 2010 and in current estimated payments of $599 million for tax year 2011. The personal income tax reform enacted in December 2011 (effective starting tax year 2012) is projected to generate $385 million in withholding in the first quarter of 2012 and should partially counteract the revenue loss resulting from the expiration of the 2009 temporary rate increase and the year-over-year decline from projected lower financial sector bonuses for FY 2012. The spike in extension payments for tax year 2010 most likely reflects one-time realization of capital gains caused by uncertainty surrounding the late extension of the lower Federal tax rates on capital gains and high-income taxpayers in December of 2010.

Total refunds are expected to decrease by $566 million (7.3 percent) compared to FY 2011. This decrease primarily reflects an artificially high FY 2011 refunds base caused by the shift of $500 million of 2009-10 refunds into FY 2011. Refunds for tax years prior to 2010, which decreased by $367 million, also contributed to lower FY 2012 refunds.

The following table summarizes, by component, actual receipts for FY 2011 and forecast amounts through FY 2015.

PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS ALL FUNDS (millions of dollars)					
	2010-11 Actual	**2011-12 Estimated**	**2012-13 Projected**	**2013-14 Projected**	**2014-15 Projected**
Receipts					
Withholding	31,240	31,197	32,598	34,667	36,032
Estimated Payments	9,735	11,530	12,212	13,063	13,702
Current Year	7,386	7,985	8,879	9,097	10,143
Prior Year*	2,349	3,545	3,334	3,966	3,559
Final Returns	1,964	2,125	2,203	2,170	2,167
Current Year	215	227	227	241	242
Prior Year*	1,749	1,898	1,976	1,929	1,925
Delinquent	1,063	1,039	1,104	1,137	1,238
Gross Receipts	44,002	45,891	48,117	51,036	53,139
Refunds					
Prior Year*	5,170	4,715	5,201	5,434	6,312
Previous Years	772	404	557	576	569
Current Year*	1,750	1,750	1,750	1,750	1,750
State-City Offset*	100	358	298	198	148
Total Refunds	7,793	7,227	7,806	7,958	8,779
Net Receipts	36,209	38,664	40,311	43,078	44,360

* These components, collectively, are known as the "settlement" on the prior year's tax liability.

All Funds receipts for FY 2013 are projected to be $40.3 billion, an increase of $1.6 billion (4.3 percent) from FY 2012. This primarily reflects a year-over-year increase of $1.5 billion in receipts from the personal income tax reform enacted in December 2011 and an increase of $829 million in pre-reform withholding receipts partially reduced by $579 million (8 percent) in higher total refunds.

Withholding is projected to be $1.4 billion (4.5 percent) higher compared to FY 2012 due mainly to an increase of $572 million in receipts from recently enacted personal income tax reform combined with modest growth in the pre-reform withholding base. Estimated payments for tax year 2012, which include $974 million from PIT reform, are projected to be $894 million (11.2 percent) higher. Final return payments for tax year 2011 and delinquencies are projected to be $78 million (4.1 percent) and $65 million (7.1 percent) higher, respectively.

The increase in total refunds of $579 million reflects a $486 million (10.8 percent) increase in current refunds and a $153 million (38.3 percent) increase in prior refunds offset by a $60 million (16.8 percent) decrease in the state-city offset.

General Fund income tax receipts are net of deposits to the STAR Fund, which provides property tax relief, and the RBTF, which supports debt service payments on State personal income tax revenue bonds. General Fund income tax receipts for FY 2012 of $25.7 billion are expected to increase by $1.8 billion (7.6 percent), from the prior year, mainly reflecting the increase in All Funds receipts noted above. The RBTF deposit is projected to increase by $614 million.

General Fund income tax receipts for FY 2013 of $26.9 billion are projected to increase by $1.2 billion (4.7 percent). The RBTF deposit is projected to increase by $412 million.

USER TAXES AND FEES

USER TAXES AND FEES
(millions of dollars)

	2010-11 Actual	2011-12 Estimated	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund[1,2]	**8,795**	**9,135**	**340**	**3.9%**	**9,341**	**206**	**2.3%**
Sales Tax	8,085	8,426	341	4.2%	8,592	166	2.0%
Cigarette and Tobacco Taxes	480	476	(4)	-0.8%	511	35	7.4%
Alcoholic Beverage Taxes	230	233	3	1.3%	238	5	2.1%
State/All Funds	**14,205**	**14,719**	**514**	**3.6%**	**15,076**	**357**	**2.4%**
Sales Tax	11,538	11,997	459	4.0%	12,246	249	2.1%
Cigarette and Tobacco Taxes	1,616	1,665	49	3.0%	1,733	68	4.1%
Motor Fuel Tax	516	501	(15)	-2.9%	515	14	2.8%
Highway Use Tax	129	134	5	3.9%	147	13	9.7%
Alcoholic Beverage Taxes	230	233	3	1.3%	238	5	2.1%
Taxicab Surcharge	81	85	4	4.9%	88	3	3.5%
Auto Rental Tax	95	104	9	9.5%	109	5	4.8%

[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 FY 2012 are estimated to be $14.7 billion, an increase of $514 million (3.6 percent) from FY 2011. Sales tax receipts are expected to increase by $459 million (4 percent) from the prior year due to base growth (i.e., absent law changes) of 6.4 percent, offset partly by a return of the clothing exemption at a $55 per item threshold. The remaining estimated increase of $55 million from FY 2011 is mainly from an increase in cigarette and tobacco tax collections due in part to increased compliance as a result of implementation of the prior-approval/coupon system.

General Fund user taxes and fees receipts are expected to total $9.1 billion in FY 2012, an increase of $340 million (3.9 percent) from FY 2011. The increase reflects growth in sales tax receipts of $341 million (4.2 percent) and small and nearly offsetting year-over-year changes in cigarette and tobacco taxes (a decrease of $4 million) and alcoholic beverage taxes (an increase of $3 million).

All Funds user taxes and fees receipts for FY 2013 are projected to be $15.1 billion, an increase of $357 million (2.4 percent) from FY 2012. The increase in sales tax receipts of $249 million (2.1 percent) mostly reflects sales tax base growth of 3.2 percent, offset by a return of the full clothing exemption (at $110 per item).

General Fund user taxes and fees receipts are projected to total $9.3 billion in FY 2013, an increase of $206 million (2.3 percent) from FY 2012. This increase largely reflects the projected increases in All Funds sales tax receipts discussed above.

BUSINESS TAXES

BUSINESS TAXES (millions of dollars)							
	2010-11 Actual	2011-12 Estimated	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund	**5,278**	**5,868**	**590**	**11.2%**	**5,977**	**109**	**1.9%**
Corporate Franchise Tax	2,472	2,825	353	14.3%	2,844	19	0.7%
Corporation & Utilities Tax	616	626	10	1.6%	682	56	8.9%
Insurance Tax	1,217	1,274	57	4.7%	1,322	48	3.8%
Bank Tax	973	1,143	170	17.5%	1,129	(14)	-1.2%
State/All Funds	**7,279**	**7,922**	**643**	**8.8%**	**8,152**	**230**	**2.9%**
Corporate Franchise Tax	2,846	3,231	385	13.5%	3,299	68	2.1%
Corporation & Utilities Tax	813	815	2	0.2%	877	62	7.6%
Insurance Tax	1,351	1,413	62	4.6%	1,463	50	3.5%
Bank Tax	1,178	1,374	196	16.6%	1,351	(23)	-1.7%
Petroleum Business Tax	1,091	1,089	(2)	-0.2%	1,162	73	6.7%

All Funds business tax receipts for FY 2012 are estimated at $7.9 billion, an increase of $643 million (8.8 percent) from the prior year. This increase is mainly driven by the corporate franchise and bank taxes. Higher gross receipts for the bank tax and higher audits for the corporate franchise tax are the primary reasons for the increase as well as an incremental $213 million increase (from $100 million in FY 2011 to $313 million in FY 2012) for the deferral of certain tax credits included in the corporate franchise tax.

All Funds corporate franchise tax receipts are estimated to be $3.2 billion, an increase of $385 million (13.5 percent) from FY 2011. The year-to-year increase is primarily due to higher audit receipts and the incremental increase for the deferral of certain tax credits. Gross receipts adjusted for the impact of the tax deferral are estimated to decline 6.2 percent from FY 2011. This is primarily attributable to the weakness in to-date 2011 liability payments. Through December 2011, payments from calendar year filers were basically flat compared to the prior year. The majority of the weakness occurred in the month of December when payments declined 11.9 percent.

All Funds corporation and utilities receipts for FY 2012 are estimated to be $815 million, an increase of $2 million (0.2 percent) from last year. Gross receipts for FY 2012 are estimated to decline 1 percent from FY 2011. This lack of growth is related to continued erosion of the telecommunication sector's taxable base, and a large refund ($40 million) expected to be paid in FY 2012. Adjusted for the large refund, receipts growth would be 5.1 percent, primarily driven by higher audit receipts. Consumers continue to shift to mobile and non-cable company voice-over-internet-protocol telecommunications at the expense of landline telecommunications while internet-based communications tools such as Twitter and Facebook continue to grow. In contrast, revenue from the regulated utilities provides a stabilizing component to the corporation and utilities tax base.

All Funds insurance tax receipts for FY 2012 are estimated to be $1.4 billion, an increase of $62 million (4.6 percent) from last year. This increase is driven by higher calendar year 2011 liability. Liability year 2011 payments are estimated to increase 5.3 percent over the prior year.

All Funds bank tax receipts for FY 2012 are estimated to be $1.374 billion, an increase of $196 million (16.6 percent) above last year. This increase is mainly attributable to strong December collections in commercial bank calendar year liability estimated payments and the corresponding expected increase in the March prepayment. Additionally, refunds are significantly lower in FY 2012 compared to FY 2011 due to the delay in payment of 2009-10 refunds to April 2010. Lower audit receipts are expected to offset a portion of the increase in receipts from higher gross receipts and lower refunds.

General Fund business tax receipts for FY 2012 of nearly $5.9 billion are estimated to increase by $590 million (11.2 percent) from FY 2011. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed previously.

ALL FUNDS BUSINESS TAX AUDIT AND NON-AUDIT RECEIPTS (millions of dollars)					
	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Estimated	2012-13 Projected
Corporate Franchise Tax	**3,220**	**2,511**	**2,846**	**3,231**	**3,299**
Audit	905	698	810	1,085	800
Non-Audit	2,315	1,813	2,036	2,146	2,499
Corporation and Utilities Taxes	**863**	**954**	**814**	**815**	**877**
Audit	47	52	14	54	54
Non-Audit	816	902	800	761	823
Insurance Taxes	**1,181**	**1,491**	**1,351**	**1,413**	**1,463**
Audit	41	35	38	18	13
Non-Audit	1,140	1,456	1,313	1,395	1,450
Bank Taxes	**1,233**	**1,399**	**1,178**	**1,374**	**1,351**
Audit	455	290	239	126	287
Non-Audit	778	1,109	939	1,248	1,064
PBT	**1,107**	**1,104**	**1,091**	**1,089**	**1,162**
Audit	16	10	7	6	6
Non-Audit	1,091	1,094	1,084	1,083	1,156
Total Business Taxes	**7,604**	**7,459**	**7,280**	**7,922**	**8,152**
Audit	1,464	1,085	1,108	1,289	1,160
Non-Audit	6,140	6,374	6,172	6,633	6,992

All Funds business tax receipts for FY 2013 of roughly $8.2 billion are projected to increase by approximately $230 million (2.9 percent) from the prior year. Corporation franchise tax receipts for FY 2013 are projected to increase by $68 million (2.1 percent) from the previous year. Growth in gross collections and lower refunds is partially offset by lower audit receipts. Included in FY 2013 is an incremental increase of $71 million (from $313 million in FY 2012 to $384 million in FY 2013) in receipts from the deferral of certain tax credits. Adjusting for the credit deferral, receipts are estimated to show no growth from FY 2012. Corporation and utilities taxes are projected to grow by $62 million (7.6 percent). Absent the large refund in FY 2012, growth would be 2.6 percent. Both sections 186-e and 186-a are forecast to grow modestly based on revenue expectations for the telecommunications and residential energy sectors. Insurance taxes are forecast to increase $50 million (3.5 percent). The year-over-year increase reflects trend growth in the insurance tax as the industry continues to recover from the economic downturn. Bank tax receipts for FY 2013 are projected to decline by $23 million (1.7 percent) from the previous year. The unusually high commercial bank calendar year filer payments seen in FY

2012 are not expected to be repeated in FY 2013, resulting in a decline in projected gross receipts, which is partially offset by a projected increase in audit receipts. The projected PBT increase of $73 million is due to an increase in the PBT rate index of 5 percent effective in January 2012 and the projected increase in the PBT tax rate index of 4.3 percent effective in January 2013. Motor and diesel fuel taxable consumption are also projected to grow compared to the prior fiscal year.

General Fund business tax receipts for FY 2013 of nearly $6 billion are projected to increase $109 million (1.9 percent) from the prior year. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

OTHER TAXES

OTHER TAXES
(millions of dollars)

	2010-11 Actual	2011-12 Estimated	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund[1]	**1,237**	**1,212**	**(25)**	**-2.0%**	**1,144**	**(68)**	**-5.6%**
Estate Tax	1,218	1,195	(23)	-1.9%	1,127	(68)	-5.7%
Gift Tax	1	0	(1)	-100.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	NA	0	0	0.0%
Pari-Mutuel Taxes	17	16	(1)	-5.9%	16	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State/All Funds	**1,817**	**1,832**	**15**	**0.8%**	**1,834**	**2**	**0.1%**
Estate Tax	1,218	1,195	(23)	-1.9%	1,127	(68)	-5.7%
Gift Tax	1	0	(1)	-100.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	NA	0	0	0.0%
Real Estate Transfer Tax	580	620	40	6.9%	690	70	11.3%
Pari-Mutuel Taxes	17	16	(1)	-5.9%	16	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

[1] Excludes Transfers.

All Funds other tax receipts for FY 2012 are estimated to be just over $1.8 billion, an increase of $15 million (0.8 percent) from FY 2011 receipts, reflecting decreases of $23 million (1.9 percent) in estate and gift taxes as a result of a return to more historical collection patterns, and an increase of $40 million (6.9 percent) in real estate transfer tax receipts as the real estate market continues to rebound.

General Fund other tax receipts are expected to total more than $1.2 billion in FY 2012, a decrease of $25 million (2 percent), due to the decrease in the estate tax.

All Funds other tax receipts for FY 2013 are projected to be approximately $1.8 billion, up $2 million (0.1 percent) from FY 2012, reflecting a decline in estate tax collections that are more than offset by growth in the real estate transfer tax. General Fund other tax receipts are expected to total $1.1 billion in FY 2013, a decrease of $68 million (5.6 percent), which is attributable to a projected decline in estate tax receipts due to a drop in the number and average size of payments expected in FY 2013.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars)	2010-11 Actual	2011-12 Estimated	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund	**3,149**	**3,304**	**155**	**4.9%**	**3,129**	**(175)**	**-5.3%**
Miscellaneous Receipts[1]	3,095	3,244	149	4.8%	3,069	(175)	-5.4%
Federal Grants	54	60	6	11.1%	60	0	0.0%
State Funds	**23,111**	**23,845**	**734**	**3.2%**	**24,269**	**424**	**1.8%**
Miscellaneous Receipts[1]	22,994	23,700	706	3.1%	24,124	424	1.8%
Federal Grants	117	145	28	23.9%	145	0	0.0%
All Funds	**72,451**	**67,774**	**(4,677)**	**-6.5%**	**66,191**	**(1,583)**	**-2.3%**
Miscellaneous Receipts[1]	23,148	23,832	684	3.0%	24,255	423	1.8%
Federal Grants	49,303	43,942	(5,361)	-10.9%	41,936	(2,006)	-4.6%

[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 reach $23.8 billion in FY 2012, an increase of $684 million from FY 2011. Augmenting General Fund growth are growth in SUNY receipts, including bond proceeds available for SUNY capital projects ($694 million), and changes in bond proceed funding for several capital improvement projects including health and environmental conservation ($333 million).

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, school aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically plans that Federal reimbursement will be received in the State fiscal year in which spending occurs, but timing is often unpredictable. All Funds Federal grants are projected to total $43.9 billion in FY 2012, a decline of $5.4 billion from FY 2011 reflecting a decrease in Federal ARRA funding.

General Fund miscellaneous receipts collections are estimated to be $3.2 billion in FY 2012, an increase of $149 million from FY 2011 receipts. This increase is primarily due to timing of payments and the decrease in the dormancy period for abandoned property from five years to three years.

General fund miscellaneous receipts collections are projected to be $3.1 billion in FY 2013, a decrease of $175 million from FY 2012. This decrease is primarily the result of a decrease in New York Power for Jobs program receipts and lower public authority receipts.

DISBURSEMENTS

General Fund disbursements in FY 2013 are estimated to total $58.6 billion, an increase of $1.7 billion (2.9 percent) over the current FY 2012 estimate. State Operating Funds disbursements for FY 2013 are estimated to total $88.7 billion, an increase of $1.7 billion (1.9 percent) over FY 2012.

The multi-year disbursements projections take into account 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 and projected economic conditions. Projections account for the timing of payments, since not all of the amounts appropriated in the Budget are disbursed in the same fiscal year. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agencies) 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 over time.

Over the multi-year Financial Plan, State Operating Funds spending is expected to increase by an average annual rate of 3.4 percent. The projections reflect spending at the capped growth rates for Medicaid and School Aid, and contemplate the effect of national health care reform on State health care costs. The projections do not reflect any potential impact of automatic spending reductions that would be triggered if the Federal government fails to amend existing deficit reduction legislation.

Medicaid, education, pension costs, employee and retiree health benefits, social services programs and debt service are significant drivers of spending growth over the Current Financial Plan period.

Selected assumptions used by DOB in preparing the spending projections for the State's major programs and activities are summarized in the following tables.

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LOCAL ASSISTANCE GRANTS

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. State-funded local assistance spending is estimated at $59.1 billion in FY 2013 and accounts for over 65 percent of total State Operating Funds spending. Education and health care spending account for three-quarters of local assistance spending.

Selected assumptions used in preparing the spending projections for the State's major local aid programs and activities are summarized in the following table.

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES

	Forecast			
	FY 2012 Current	FY 2013 Proposed	FY 2014 Projected	FY 2015 Projected
Medicaid				
Medicaid Coverage	4,535,463	4,628,505	4,856,565	5,324,544
Family Health Plus Coverage	427,066	453,355	479,644	505,932
Child Health Plus Coverage	418,241	436,241	454,241	472,241
State Takeover of County/NYC Costs ($000)	$1,544	$1,466	$1,846	$2,458
- Family Health Plus	$428	$515	$597	$682
- Medicaid	$1,116	$952	$1,249	$1,776
Education				
School Aid (School Year) ($000)	$19,507	$20,312	$21,023	$21,864
Personal Income Growth Index	N/A	4.1	3.5	4.0
Higher Education				
Public Higher Education Enrollment (FTEs)	576,300	577,664	578,242	578,820
Tuition Assistance Program Recipients	309,334	310,633	310,633	310,633
Welfare				
Family Assistance Caseload	385,180	374,822	363,077	352,880
Single Adult/No Children Caseload	180,338	178,207	176,780	175,786
Mental Hygiene				
Total: Mental Hygiene Community Beds	88,426	92,458	96,280	100,265
- OMH Community Beds	36,527	40,002	42,953	46,189
- OPWDD Community Beds	39,101	39,621	40,404	41,077
- OASAS Community Beds	12,798	12,835	12,923	12,999
Prison Population (Corrections)	55,100	55,100	55,100	55,100

EDUCATION

SCHOOL AID

School Aid helps support elementary and secondary education for New York pupils enrolled in 676 major school districts throughout the State. State funding is provided to districts based on statutory aid formulas and through reimbursement of categorical expenses. State funding for schools assists districts in meeting locally defined needs, supports the construction of school facilities, and finances school transportation for nearly three million students statewide.

SCHOOL YEAR (JULY 1 — JUNE 30)

The FY 2012 Enacted Budget included a two-year appropriation and amended the Education Law to tie future increases in School Aid to the rate of growth in New York State personal income. Under this limit, School Aid funding will increase by $805 million in School Year (SY) 2013, a 4.1 percent increase from SY 2012.

Over the multi-year financial plan, School Aid funding will be a function of both a personal income growth index used to determine allowable growth and future legislation to allocate the allowable increases. Current law prescribes allowable growth to include spending for new competitive grant programs which reward school districts that demonstrate significant student performance improvements or those that undertake long-term structural changes to reduce costs and improve efficiency. Allowable growth also includes increases in expense-based aid programs (e.g., Building Aid, Transportation Aid) under existing statutory provisions. Any remaining amount of allowable growth can be allocated pursuant to a chapter of law for purposes including, but not limited to, additional spending for competitive grants, increases in Foundation Aid or restoration of the Gap Elimination Adjustment.

Based on updated estimates of personal income growth, School Aid is projected to increase by an additional $711 million in SY 2014 and $841 million in SY 2015. School Aid is projected to reach an annual total of nearly $22.9 billion in SY 2016.

FIVE YEAR SCHOOL AID PROJECTION - SCHOOL YEAR BASIS
(millions of dollars)

	SY 2012	SY 2013	Annual Change	SY 2014	Annual Change	SY 2015	Annual Change	SY 2016	Annual Change
Total School Aid	$19,507	$20,312	**$805**	$21,023	**$711**	$21,864	**$841**	$22,870	**$1,006**
Percent Change			4.1%		3.5%		4.0%		4.6%

STATE FISCAL YEAR

The State finances School Aid from General Fund revenues and from Lottery Fund receipts, including VLTs, which are accounted for and disbursed from a dedicated revenue account. Because the State fiscal year begins on April 1, the State pays approximately 70 percent of the annual school year commitment during the State fiscal year in which it is enacted, and pays the remaining 30 percent in the first three months of the following State fiscal year.

The table below summarizes the multi-year projected funding levels for School Aid on a State fiscal year basis.

SCHOOL AID - FISCAL YEAR BASIS
STATE OPERATING FUNDS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	Annual % Change	FY 2014 Projected	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change
Total School Aid (Fiscal Year Basis)	**19,677**	**20,002**	**2%**	**20,815**	**4%**	**21,613**	**4%**	**22,558**	**4%**
General Fund Local Assistance	16,793	16,949	1%	17,758	5%	18,551	4%	19,494	5%
Core Lottery Aid	2,072	2,176	5%	2,178	0%	2,173	0%	2,175	0%
VLT Lottery Aid	674	821	22%	879	7%	889	1%	889	0%
General Fund Lottery Aid Guarantee	138	56	-59%	0	-100%	0	0%	0	0%

State spending for School Aid is projected to total $20 billion in FY 2013. In future years, receipts available to finance School Aid from core lottery sales are projected to remain relatively flat while VLT receipts are anticipated to increase through FY 2015 as a result of the new VLT facility at the Aqueduct Racetrack. In addition to State aid, school districts receive approximately $3.6 billion annually in Federal categorical aid.

SCHOOL TAX RELIEF PROGRAM

The STAR program provides school tax relief to taxpayers. The three components of STAR and their approximate shares in FY 2013 are: the basic school property tax exemption for homeowners with income under $500,000 (59 percent), the enhanced school property tax exemption for senior citizen homeowners with income under $79,050 (24 percent), and a flat refundable credit and rate reduction for New York City resident personal-income taxpayers (17 percent).

SCHOOL TAX RELIEF (STAR)
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	Annual % Change	FY 2014 Projected	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change
STAR	**3,293**	**3,322**	**1%**	**3,508**	**6%**	**3,691**	**5%**	**3,793**	**3%**
Basic Exemption	1,933	1,937	0%	2,044	6%	2,160	6%	2,261	5%
Enhanced (Seniors)	790	792	0%	836	6%	883	6%	883	0%
New York City PIT	570	593	4%	628	6%	648	3%	649	0%

The STAR program exempts the first $30,000 of every eligible homeowner's property value from the local school tax levy. Lower-income senior citizens receive a $62,200 exemption. Spending for the STAR property tax exemption reflects reimbursements made to school districts to offset the reduction in property tax revenues.

The annual increase in a qualifying homeowner's STAR exemption benefit is limited to 2 percent. Homeowners who earn more than $500,000 a year are not eligible for the STAR property tax exemption. New York City personal income taxpayers with annual income over $500,000 have a reduced benefit.

The multi-year Financial Plan reflects a program under which the Department of Taxation and Finance would instruct local assessors to withhold the STAR exemption benefit from taxpayers who have overdue State-imposed and State-administered taxes and who own a home that is STAR-eligible. New York City residents who are similarly in arrears would lose their City PIT rate-reduction benefit, as well as the State School Tax Reduction Credit.

OTHER EDUCATION AID

In addition to School Aid, the State provides funding and support for various other education-related initiatives. These include: special education services; prekindergarten through grade 12 education programs; cultural education; higher and professional education programs; and adult career and continuing education services.

Major programs under the Office of Prekindergarten through Grade 12 Education address specialized student needs or reimburse school districts for education-related services, including the school breakfast and lunch programs, non-public school aid, and various special education programs. In special education, New York provides a full spectrum of services to over 400,000 students from ages 3 to 21. Higher and professional education programs monitor the quality and availability of postsecondary education programs and regulate the licensing and oversight of 48 professions.

Spending for special education is expected to increase as program costs and enrollment rise. In FY 2012, school districts will finance the costs associated with schools for the blind and deaf in the first instance and will be reimbursed by the State in the first quarter of FY 2013, which drives a significant annual increase in FY 2013 spending. Other education spending is affected by the phase-out of Federal ARRA Stabilization Funds.

HIGHER EDUCATION

Local assistance for higher education spending includes funding for CUNY, SUNY and HESC. The State provides assistance for CUNY's senior college operations, and works in conjunction with the City of New York to support CUNY's community colleges. The CUNY system is the largest urban public university system in the nation. Funding for SUNY supports 30 community colleges across multiple campuses.

HIGHER EDUCATION
STATE OPERATING FUNDS LOCAL ASSISTANCE SPENDING PROJECTIONS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	Annual % Change	FY 2014 Projected	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change
Total Higher Education	2,605	2,661	2%	2,769	4%	2,845	3%	2,925	3%
City University	**1,202**	**1,271**	**6%**	**1,329**	**5%**	**1,392**	**5%**	**1,460**	**5%**
Operating Aid to NYC (Senior Colleges)	1,023	1,101	8%	1,164	6%	1,227	5%	1,295	6%
Community College Aid	178	169	-5%	165	-2%	165	0%	165	0%
Community Projects	1	1	0%	0	-100%	0		0	
Higher Education Services	**924**	**951**	**3%**	**1,001**	**5%**	**1,014**	**1%**	**1,026**	**1%**
Tuition Assistance Program	849	893	5%	935	5%	941	1%	947	1%
Aid for Part Time Study	12	12	0%	12	0%	12	0%	12	0%
Scholarships/Awards	47	46	-2%	54	17%	61	13%	67	10%
Other	16	0	-100%	0		0	**0%**	0	0%
State University	**479**	**439**	**-8%**	**439**	**0%**	**439**	**0%**	**439**	**0%**
Community College Aid[1]	442	434	-2%	434	0%	434	0%	434	0%
Hospital Subsidy[2]	32	0	-100%	0		0	0%	0	0%
Other	5	5	0%	5	0%	5	0%	5	0%

[1] State support for SUNY 4-year institutions is funded through State operations rather than local assistance.

[2] Beginning in academic year 2011-12, the SUNY hospital subsidy will be funded as a transfer from General Fund State operations rather than local assistance.

The State also provides a sizeable benefit to SUNY and CUNY through the debt service it pays on bond-financed capital projects at the universities. This is not reflected in the annual spending totals for the universities. State debt service payments for higher education are expected to total over $1.2 billion in FY 2013.

HESC administers the TAP program that provides awards to income-eligible students, and NY HELPS. It also provides centralized processing for other student financial aid programs, and offers prospective students information and guidance on how to finance a college education. The financial aid programs that the Corporation administers are funded by the State and the Federal government.

Growth in spending for higher education over the plan period largely reflects aid to New York City for reimbursement of CUNY senior college operating expenses associated with the rising contribution rates for fringe benefits. Spending growth for tuition assistance reflects the impact of upward trends in student enrollment at institutions of higher education.

HEALTH CARE

Local assistance for health care-related spending includes Medicaid, statewide public health programs and a variety of mental hygiene programs. The DOH works with the local health departments and social services departments, including New York City, to coordinate and administer statewide health insurance programs and activities. The majority of government-financed health care programs are included under DOH, but many programs are supported through multi-agency efforts. The Medicaid program finances inpatient hospital care, outpatient hospital services, clinics, nursing homes, managed care, prescription drugs, home care, FHP, and services provided in a variety of community-based settings (including mental health, substance abuse treatment, developmental disabilities services, school-based services, foster care services and inpatient hospital services provided to inmates on medical leave from State correctional facilities). The State share of Medicaid spending is budgeted and expended principally through DOH, but State share Medicaid spending also appears in the mental hygiene agencies, child welfare programs, School Aid and DOCCS. Medicaid spending is reported separately in the Financial Plan tables for each of the agencies.

MEDICAID

Medicaid is a means-tested program that finances health care services for low-income individuals and long-term care services for the elderly and disabled, primarily through payments to health care providers. The Medicaid program is financed jointly by the State, the Federal government, and local governments (including New York City). New York's Medicaid spending is projected to total approximately $54.0 billion in FY 2013, including the local contribution.[3]

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS [1]
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Department of Health:					
State Share Without FMAP	16,033	15,605	16,513	17,049	17,895
Enhanced FMAP	(753)	254	0	0	0
DOH State Share With FMAP	15,280	15,859	16,513	17,049	17,895
Annual $ Change - DOH Only		579	654	536	846
Annual % Change - DOH Only		4%	4%	3%	5%
Mental Hygiene	5,692	5,744	6,137	6,440	6,801
Foster Care	111	113	117	122	127
Corrections	0	12	12	12	13
State Operations - Contractual Expenses[2]	46	53	56	56	56
State Share Total (All Agencies)	**21,129**	**21,781**	**22,835**	**23,679**	**24,892**
Annual $ Change - Total State Share		652	1,054	844	1,213
Annual % Change - Total State Share		3%	5%	4%	5%

[1] To conform the Financial Plan classification of State Operating Funds spending to the classification followed by the State Comptroller, approximately $3 billion in Medicaid spending supported by a transfer from Federal Funds to the State Mental Hygiene Patient Income Account is now classified as State spending.

[2] Includes operational costs that support contracts related to the management of the Medicaid program and various activities to ensure appropriate utilization.

[3] The local contribution to the Medicaid program is not included in the State's Financial Plan. Since January 2006, the State has paid the entire non-Federal share of the FHP program and any annual Medicaid increases above a fixed level for local social services districts. The FY 2013 Executive Budget proposes to amend these statutory indexing provisions by implementing a three-year phased-takeover of the local share of growth above the previous year's enacted levels beginning in April 2013 for CY 2013, with the State assuming all growth CY 2015. This initiative is expected to save local governments nearly $1.2 billion through the next five state fiscal years, as compared to levels assumed under current statute.

The FY 2013 Executive Budget reflects continuation of the Medicaid State funds spending cap enacted in FY 2012, and recommends funding consistent with its provisions. The cap is based on the ten-year average change in the medical component of the Consumer Price Index. Statutory changes approved with the FY 2012 budget grant the Executive certain administrative powers to help hold Medicaid spending to the capped level. The statutory changes expire at the end of FY 2013. The Executive Budget proposes a one-year extension through FY 2014. The cap itself remains in place and the Current Financial Plan assumes that statutory authority will be extended in subsequent years.

Factors affecting Medicaid growth over the Plan period include Medicaid enrollment, costs of provider health care services (particularly in managed care), levels of utilization and the expiration of enhanced Federal aid.[4] The number of Medicaid recipients, including FHP, is expected to exceed 5.1 million at the end of FY 2013, an increase of 2.4 percent from the FY 2012 caseload of 5 million. The expiration of the enhanced FMAP contributes to an increase of State-share spending of over $1 billion from FY 2012 to FY 2013, and includes costs associated with the Federal funding reconciliation between the State and counties. Pursuant to Federal Health Care Reform, the Federal government is expected to finance a greater share of Medicaid costs for individuals and couples without children, which is expected to lower growth in State-share Medicaid costs beginning in FY 2015.

The FY 2013 Executive Budget includes proposals to establish a phased takeover of local government administration of the Medicaid program and to cap spending on local Medicaid administration at FY 2012 appropriation levels. The FY 2013 Executive Budget also provides Medicaid local cap relief for all counties and New York City by reducing growth in local Medicaid payments. These proposals are consistent with this Administration's efforts to provide fiscal relief to local governments in an effort to reduce the tax burden on citizens.

The State share of DOH Medicaid spending is funded from the General Fund, HCRA, provider assessment revenue, and indigent care revenue. The chart below provides information on the financing sources for State Medicaid spending.

MAJOR SOURCES OF ANNUAL CHANGE IN MEDICAID (DOH ONLY) -- LOCAL ASSISTANCE
(millions of dollars)

	FY 2013 Proposed	FY 2014 Projected	Annual $ Change	Annual % Change	FY 2015 Projected	Annual $ Change	Annual % Change	FY 2016 Projected	Annual $ Change	Annual % Change
State Operating Funds (Before FMAP) [1]	**15,605**	**16,513**	**908**	**5.8%**	**17,049**	**536**	**3.2%**	**17,895**	**846**	**5.0%**
Enhanced FMAP -- State Share [2]	254	0	(254)	-100.0%	0	0	0%	0	0	0%
State Operating Funds (After FMAP)	**15,859**	**16,513**	**654**	**4.1%**	**17,049**	**536**	**3.2%**	**17,895**	**846**	**5.0%**
Total General Fund	10,468	10,952	484	4.6%	11,314	362	3.5%	12,194	880	7.8%
Other State Funds Support	5,391	5,561	170	3.2%	5,735	174	3.2%	5,701	(34)	-0.6%
HCRA Financing	3,769	3,946	177	4.7%	4,120	174	4.6%	4,086	(34)	-0.8%
Provider Assessment Revenue	830	823	(7)	-0.8%	823	0	0%	823	0	0%
Indigent Care Revenue	792	792	0	0%	792	0	0%	792	0	0%

[1] Does not include Medicaid spending in other State agencies, DOH State operations spending, or the local government share of total Medicaid program spending.

[2] Excludes benefits realized in other State agencies. Costs in FY 2013 reflect the reconciliation of the local share benefit for FY 2012 that will occur in FY 2013.

[4] In August 2010, the U.S. Congress approved a six-month extension of the enhanced FMAP benefit through June 30, 2011. Under enhanced FMAP (which covered the period from October 2008 through June 30, 2011), the base Federal match rate increased from 50 percent to approximately 57 percent during the period, which resulted in a concomitant decrease in the State and local share.

PUBLIC HEALTH/AGING PROGRAMS

Public Health includes the EPIC program that provides prescription drug insurance to low-income seniors, the CHP program that finances health insurance coverage for children of low-income families up to the age of 19, the GPHW program that reimburses local health departments for the cost of providing certain public health services, the EI program that pays for services to infants and toddlers under the age of three with disabilities or developmental delays, and other HCRA and State-supported programs.

The SOFA promotes and administers programs and services for New Yorkers 60 years of age and older. The Office primarily oversees community-based services, including but not limited to in-home services and nutrition assistance, provided through a network of county Area Agencies on Aging and local providers.

PUBLIC HEALTH
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	Annual % Change	FY 2014 Projected	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change
Public Health	**2,020**	**1,919**	**-5%**	**1,997**	**4%**	**2,073**	**4%**	**1,920**	**-7%**
Child Health Plus	320	346	8%	374	8%	400	7%	414	4%
General Public Health Work	254	254	0%	270	6%	283	5%	288	2%
EPIC	178	118	-34%	125	6%	136	9%	149	10%
Early Intervention	167	164	-2%	158	-4%	162	3%	165	2%
HCRA Program Account	470	482	3%	481	0%	483	0%	483	0%
F-SHRP	250	175	-30%	205	17%	205	0%	0	-100%
All Other	381	380	0%	384	1%	404	5%	421	4%
Aging	**114**	**114**	**0%**	**118**	**4%**	**124**	**5%**	**131**	**6%**

Many public health programs, such as the EI and GPHW programs, are run by county health departments and reimbursed by the State for a share of program costs. The State spending projections do not include the county share of public health funding. In addition, a significant portion of HCRA spending is included under the public health budget. For more information on HCRA projections, see the section entitled “HCRA Financial Plan” below.

Increased enrollment in the CHP program and inflationary costs are expected to drive growth in the outyears of the plan, while outyear growth in the GPHW program reflects anticipated claiming from counties.

The steep decline in spending in FY 2013 is due in large part to the annual impact of peak utilization in FY 2012 of funding received through the F-SHRP program, which was provided to the state on a time-limited basis (expiring March 31, 2014) through a Federal waiver under certain terms and conditions aimed at improving the delivery and access of community health care services. EPIC spending is projected to decline sharply in FY 2013, resulting from previous budgetary actions to provide coverage to Medicare Part D enrollees only when they are in the coverage gap. After FY 2013, EPIC spending is projected to stabilize and increase accordingly with the rising costs of prescription medication.

HCRA FINANCIAL PLAN

HCRA FINANCIAL PLAN FY 2012 THROUGH FY 2016 (millions of dollars)	FY 2012 Current	FY 2013 Proposed	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Opening Balance	**159**	**0**	**0**	**0**	**0**
Total Receipts	5,359	6,029	6,185	6,282	6,260
Surcharges	2,692	3,064	3,171	3,264	3,239
Covered Lives Assessment	1,050	1,045	1,045	1,045	1,045
Cigarette Tax Revenue	1,189	1,222	1,199	1,177	1,155
Conversion Proceeds	0	250	300	300	300
Hospital Assessments	373	394	417	444	469
NYC Cigarette Tax Transfer/Other	55	54	53	52	52
Total Disbursements	5,518	6,029	6,185	6,282	6,260
Medicaid Assistance Account	3,358	3,775	3,953	4,127	4,093
Medicaid Costs	*2,136*	*2,386*	*2,632*	*2,806*	2,772
Family Health Plus	*602*	*690*	*657*	*657*	657
Workforce Recruitment & Retention	*184*	*211*	*197*	*197*	197
All Other	*436*	*488*	*467*	*467*	467
HCRA Program Account	493	506	504	506	506
Hospital Indigent Care	792	792	792	792	792
Elderly Pharmaceutical Insurance Coverage	110	128	135	146	158
Child Health Plus	327	354	382	408	422
Public Health Programs	120	120	120	120	120
All Other	318	354	299	183	169
Annual Operating Surplus/(Deficit)	**(159)**	**0**	**0**	**0**	**0**
Closing Balance	**0**	**0**	**0**	**0**	**0**

HCRA was established in 1996 to help finance a portion of State health care activities in various areas of the budget: Medicaid, Public Health, and the Department of Financial Services. Extensions and modifications to HCRA have financed new health care programs, including FHP, and provided additional funding for the expansion of existing programs such as CHP. HCRA has also provided additional financing for the health care industry, including investments in worker recruitment and retention, and the HEAL NY capital program.

HCRA receipts include surcharges and assessments on hospital revenues, a “covered lives” assessment paid by insurance carriers, a portion of cigarette tax revenues, and other revenues dedicated by statute, as well as potential future proceeds from insurance company conversions.

HCRA spending primarily finances Medicaid, EPIC, CHP, FHP and Indigent Care payments, which provide funds to hospitals that serve a disproportionate share of individuals without health insurance. HCRA also provides funding for Workforce Recruitment and Retention and rate adjustments to health facilities, physician excess medical malpractice, and HEAL NY for capital improvements to health care facilities.

HCRA is expected to remain in balance over the multi-year projection period. Under the current HCRA appropriation structure, spending reductions will occur if resources are insufficient to meet spending levels. These spending reductions could potentially affect core HCRA programs. The reauthorizations of HCRA in prior years maintained HCRA's balance without the need for automatic spending reductions.

Given the close relationship between the General Fund and HCRA, any balances in HCRA are typically eliminated by adjusting the level of Medicaid expenditures that HCRA finances. This reduces costs that otherwise would have been paid for by the General Fund. Conversely, any shortfall in HCRA is expected to be financed by the General Fund.

MENTAL HYGIENE

The Department of Mental Hygiene is comprised of four independent agencies, OMH, OPWDD, OASAS, and DDPC, as well as one oversight agency, the CQCAPD. Services are administered to adults with serious and persistent mental illness; children with serious emotional disturbances; individuals with developmental disabilities and their families; and persons with chemical dependence. These agencies provide services directly to their patients through State-operated facilities and indirectly through community service providers. The costs associated with providing these services are funded by reimbursement from Medicaid, Medicare, third-party insurance and State funding. Patient care revenues are pledged first to the payment of debt service on outstanding mental hygiene bonds, which are issued to finance improvements to infrastructure at mental hygiene facilities throughout the State, with the remaining revenue used to support State operating costs.

MENTAL HYGIENE
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	Annual % Change	FY 2014 Projected	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change
Total Mental Hygiene	**3,581**	**3,576**	**0%**	**3,969**	**11%**	**4,231**	**7%**	**4,423**	**5%**
People with Developmental Disabilities	**2,158**	**2,159**	**0%**	**2,386**	**11%**	**2,496**	**5%**	**2,567**	**3%**
Residential Services	1,489	1,490	0%	1,652	11%	1,733	5%	1,808	4%
Day Programs	561	561	0%	626	12%	655	5%	651	-1%
Clinic	22	22	0%	22	0%	22	0%	22	0%
Other	86	86	0%	86	0%	86	0%	86	0%
Mental Health	**1,107**	**1,100**	**-1%**	**1,247**	**13%**	**1,381**	**11%**	**1,486**	**8%**
Adult Local Services	925	919	-1%	1,042	13%	1,154	11%	1,242	8%
Children Local Services	182	181	-1%	205	13%	227	11%	244	7%
Alcohol and Substance Abuse	**315**	**316**	**0%**	**335**	**6%**	**353**	**5%**	**369**	**5%**
Outpatient/Methadone	124	124	0%	128	3%	131	2%	134	2%
Residential	131	131	0%	146	11%	161	10%	174	8%
Prevention	38	38	0%	38	0%	38	0%	38	0%
Crisis	13	13	0%	13	0%	13	0%	13	0%
Program Support	9	10	11%	10	0%	10	0%	10	0%
CQCAPD	**1**	**1**	**0%**	**1**	**0%**	**1**	**0%**	**1**	**0%**

Local assistance spending in mental hygiene accounts for nearly half of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 5.4 percent annually. This growth is attributable to increases in the projected State share of Medicaid costs and 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. Additional outyear spending is assumed in the Current Financial Plan estimates for costs associated with efforts to move individuals in nursing homes and other settings to the least restrictive setting possible, as well as several chemical dependence treatment and prevention initiatives for individuals receiving services through OASAS. The Current Financial Plan also reflects costs of roughly $100 million annually for adjustments based on not-for-profit provider performance and actual costs.

SOCIAL SERVICES

OTDA local assistance programs provide cash benefits and supportive services to low-income families. The State's three main programs include Family Assistance, Safety Net Assistance and SSI. The Family Assistance program, which is financed by the Federal government, provides time-limited cash assistance to eligible families. The Safety Net Assistance program, financed by the State and local districts, provides cash assistance for single adults, childless couples, and families that have exhausted their five-year limit on Family Assistance imposed by Federal law. The State SSI Supplementation program provides a supplement to the Federal SSI benefit for the elderly, visually handicapped, and disabled.

TEMPORARY AND DISABILITY ASSISTANCE
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	Annual % Change	FY 2014 Projected	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change
Temporary and Disability Assistance	**1,413**	**1,491**	**6%**	**1,537**	**3%**	**1,441**	**-6%**	**1,469**	**2%**
SSI	740	753	2%	766	2%	664	-13%	692	4%
Public Assistance Benefits*	485	616	27%	650	6%	656	1%	656	0%
Welfare Initiatives	23	19	-17%	19	0%	19	0%	19	0%
All Other	165	103	-38%	102	-1%	102	0%	102	0%

*Reflects additional spending in FY 2013 that is the result of FY 2012 payment delays.

The average public assistance caseload is projected to total 553,029 recipients in FY 2013, a decrease of 2.2 percent from FY 2012 levels. Approximately 255,031 families are expected to receive benefits through the Family Assistance program, a decrease of 2.6 percent from the current year. In the Safety Net Families program, an average of 119,791 families are expected to be helped in FY 2013, a decrease of 2.9 percent. The caseload for single adults/childless couples supported through the Safety Net program is projected at 178,207, a decrease of 1.2 percent.

OCFS provides funding for foster care, adoption, child protective services, preventive services, delinquency prevention, and child care. OCFS oversees the State's system of family support and child welfare services administered by local departments of social services and community-based organizations. Specifically, child welfare services, which are financed jointly by the Federal government, the State, and local districts, are structured to encourage local governments to invest in preventive services to reduce out-of-home placement of children. In addition, the Child Care Block Grant, which is also financed by a combination of Federal, State and local sources, supports child care subsidies for public assistance and low-income families. The youth facilities program serves youth directed by family or criminal courts to be placed in residential facilities.

CHILDREN AND FAMILY SERVICES STATE OPERATING FUNDS SPENDING PROJECTIONS (millions of dollars)	FY 2012 Current	FY 2013 Proposed	Annual % Change	FY 2014 Projected	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change
Children and Family Services	**1,597**	**1,581**	**-1%**	**1,887**	**19%**	**1,990**	**5%**	**2,094**	**5%**
Child Welfare Service	421	330	-22%	463	40%	508	10%	556	9%
Foster Care Block Grant	436	436	0%	464	6%	492	6%	521	6%
Adoption	170	175	3%	182	4%	190	4%	199	5%
Day Care	145	242	67%	355	47%	354	0%	354	0%
Youth Programs	137	123	-10%	148	20%	155	5%	156	1%
Medicaid	111	113	2%	117	4%	122	4%	127	4%
Committees on Special Education	38	39	3%	42	8%	46	10%	51	11%
Adult Protective/Domestic Violence	33	34	3%	39	15%	44	13%	51	16%
All Other	106	89	-16%	77	-13%	79	3%	79	0%

OCFS spending reflects expected growth in claims-based programs and an increase in child care General Fund spending to offset a reduction in available TANF dollars. Growth in Child Welfare Services and Adult Protective/Domestic Violence reflects anticipated growth in local claims and flat Federal funding.

TRANSPORTATION

In FY 2013, the DOT will provide $4.4 billion in local assistance to support statewide mass transit systems. This funding, financed through the collection of dedicated taxes and fees, is provided to mass transit operators throughout the State to support operating costs. The MTA, due to the size and scope of its transit system, receives the majority of the statewide mass transit operating aid. Additionally, the MTA receives operating support from the Mobility Tax and MTA Aid Trust Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District. The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA to support the transit system. Spending from this fund is projected to grow from 5 percent to 9 percent each year from FY 2013 to FY 2016. Legislation enacted in December 2011 eliminates the MTA payroll tax for all elementary and secondary schools as well as for certain small businesses. The Financial Plan assumes the State will compensate the MTA for the decrease in receipts from the tax reduction.

TRANSPORTATION STATE OPERATING FUNDS SPENDING PROJECTIONS (millions of dollars)	FY 2012 Current	FY 2013 Proposed	Annual % Change	FY 2014 Projected	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change
Transportation	**4,257**	**4,398**	**3%**	**4,556**	**4%**	**4,650**	**2%**	**4,745**	**2%**
Mass Transit Operating Aid:	1,785	1,907	7%	1,907	0%	1,907	0%	1,907	0%
Metro Mass Transit Aid	1,646	1,762	7%	1,762	0%	1,762	0%	1,762	0%
Public Transit Aid	87	93	7%	93	0%	93	0%	93	0%
18-B General Fund Aid	27	27	0%	27	0%	27	0%	27	0%
School Fare	25	25	0%	25	0%	25	0%	25	0%
Mobility Tax and MTA Aid Trust	1,752	1,762	1%	1,915	9%	2,008	5%	2,100	5%
Dedicated Mass Transit	674	684	1%	689	1%	690	0%	693	0%
AMTAP	45	45	0%	45	0%	45	0%	45	0%
All Other	1	0	-100%	0	0%	0	0%	0	0%

LOCAL GOVERNMENT ASSISTANCE

Direct aid to local governments primarily includes the AIM program, which was created in FY 2006 to consolidate various unrestricted local aid funding streams. Along with AIM, the State provides incentive grants to local governments. Other direct aid to local governments includes VLT impact aid, Small Government Assistance and Miscellaneous Financial Assistance.

LOCAL GOVERNMENT ASSISTANCE
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	Annual % Change	FY 2014 Projected	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change
Local Government Assistance	**758**	**776**	**2%**	**786**	**1%**	**801**	**2%**	**803**	**0%**
AIM									
Big Four Cities	429	429	0%	429	0%	429	0%	429	0%
Other Cities	218	218	0%	218	0%	218	0%	218	0%
Towns and Villages	68	68	0%	68	0%	68	0%	68	0%
Efficiency Incentives	6	26	333%	42	62%	58	38%	60	3%
All Other Local Aid	37	35	-5%	29	-17%	28	-3%	28	0%

ALL OTHER LOCAL ASSISTANCE SPENDING

Other local assistance programs and activities include criminal justice, economic development, housing, parks and recreation and environmental quality. Spending in these areas is not expected to change materially over the Current Financial Plan period.

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AGENCY OPERATIONS

Agency operating costs include personal service, non-personal service, and GSCs. Personal service includes salaries of State employees of the Executive, Legislative, and Judicial branches, as well as overtime payments and costs for temporary employees. Non-personal service generally accounts for the cost of operating 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. GSCs account for the costs of fringe benefits (e.g., pensions, health insurance) provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State. In addition, certain agency operations of Transportation and Motor Vehicles are included in the capital projects fund type and not reflected in the State Operating Funds personal service or non-personal service totals.

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).

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

	Forecast			
	FY 2012 Current	FY 2013 Proposed	FY 2014 Projected	FY 2015 Projected
Negotiated Base Salary Increases [1]				
CSEA	0	0	0	2%
PEF	0	0	0	2%
State Workforce [2]	121,868	121,789	122,090	122,090
ERS Pension Contribution Rate[3]				
Before Amortization	16.9%	19.4%	21.6%	23.1%
After Amortization	10.5%	11.5%	12.5%	13.5%
PFRS Pension Contribution Rate				
Before Amortization	21.5%	25.8%	29.1%	31.2%
After Amortization	18.5%	19.5%	20.5%	21.5%
Employee/Retiree Health Insurance Growth Rates	5.8%	-1.4%	5.6%	8.2%
PS/Fringe as % of Receipts (All Funds Basis)	14.4%	14.5%	14.5%	14.4%

[1] Reflects current collective bargaining agreements with settled unions. Does not reflect potential impact of future negotiated workforce agreements.

[2] Subject to Direct Executive Control.

[3] As Percent of Salary.

Selected assumptions used in preparing the spending projections for the State's major programs and activities are summarized in the following table.

Growth in State Operations spending over the multi-year Financial Plan is concentrated in agencies that operate large facilities, such as the State University, the mental hygiene agencies, and Corrections and Community Supervision. The main causes of growth include inflationary increases in operating costs expected for food, medical care and prescription drugs, and energy costs in State facilities, offset by expected savings from enterprise procurement efforts. Also note that FY 2016 reflects the infrequent occurrence of an additional State institutional payroll, and the State's repayment to State employees for deficit reduction leave taken during FY 2012 as part of workforce savings initiatives.

STATE OPERATING FUNDS - AGENCY OPERATIONS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	Annual $ Change	FY 2014 Proposed	Annual $ Change	FY 2015 Proposed	Annual $ Change	FY 2016 Proposed	Annual $ Change
Subject to Direct Executive Control	9,429	9,338	(91)	9,369	31	9,592	223	10,027	435
Mental Hygiene	2,973	2,960	(13)	3,075	115	3,181	106	3,332	151
Corrections and Community Supervision	2,473	2,392	(81)	2,441	49	2,493	52	2,624	131
State Police	657	648	(9)	649	1	655	6	668	13
Public Health	552	559	7	604	45	626	22	631	5
Tax and Finance	385	393	8	395	2	406	11	413	7
Children and Family Services	304	330	26	322	(8)	309	(13)	306	(3)
Environmental Conservation	228	226	(2)	228	2	229	1	232	3
Financial Services	204	204	0	207	3	209	2	212	3
Temporary and Disability Assistance	161	207	46	210	3	221	11	219	(2)
Parks, Recreation and Historic Preservation	170	160	(10)	163	3	165	2	167	2
Workers' Compensation Board	158	153	(5)	150	(3)	153	3	156	3
Lottery	162	152	(10)	155	3	159	4	159	0
General Services	128	148	20	138	(10)	133	(5)	136	3
All Other	874	806	(68)	632	(174)	653	21	772	119
University System	5,304	5,418	114	5,576	158	5,744	168	5,914	170
State University	5,167	5,298	131	5,455	157	5,621	166	5,789	168
City University	137	120	(17)	121	1	123	2	125	2
Independent Agencies	301	301	0	305	4	313	8	321	8
Law	162	162	0	163	1	167	4	171	4
Audit & Control	139	139	0	142	3	146	4	150	4
Total, excluding Legislature and Judiciary	**15,034**	**15,057**	23	**15,250**	**193**	**15,649**	**399**	**16,262**	**613**
Judiciary	1,834	1,856	22	1,914	58	2,000	86	2,095	95
Legislature	219	219	0	221	2	224	3	227	3
Statewide Total	**17,087**	**17,132**	45	**17,385**	**253**	**17,873**	**488**	**18,584**	**711**
Personal Service	*11,876*	*11,965*	89	*12,199*	*234*	*12,522*	*323*	*13,054*	*532*
Non-Personal Service	*5,211*	*5,167*	(44)	*5,186*	*19*	*5,351*	*165*	*5,530*	*179*

GENERAL STATE CHARGES

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, unemployment insurance, and dental and vision benefits. The majority of employee fringe benefit costs are paid centrally from statewide appropriations. However, certain agencies, including 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. The largest General Fund reimbursement comes from the mental hygiene agencies.

GSCs also include certain fixed costs such as State taxes paid to local governments for certain State-owned lands, and payments related to lawsuits against the State and its public officers.

GENERAL STATE CHARGES
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	Annual % Change	FY 2014 Projected	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change
General State Charges	**6,536**	**6,388**	**-2%**	**6,917**	**8%**	**7,428**	**7%**	**7,880**	**6%**
Fringe Benefits	**6,180**	**6,035**	**-2%**	**6,562**	**9%**	**7,058**	**8%**	**7,511**	**6%**
Health Insurance	3,291	3,240	-2%	3,408	5%	3,667	8%	3,949	8%
Employee Health Insurance	2,057	2,025	-2%	2,130	5%	2,292	8%	2,468	8%
Retiree Health Insurance	1,234	1,215	-2%	1,278	5%	1,375	8%	1,481	8%
Pensions	1,680	1,574	-6%	1,986	26%	2,230	12%	2,440	9%
Social Security	915	931	2%	943	1%	969	3%	1,000	3%
All Other Fringe	294	290	-1%	225	-22%	192	-15%	122	-36%
Fixed Costs	**356**	**353**	**-1%**	**355**	**1%**	**370**	**4%**	**369**	**0%**

GSCs are projected to increase at an average annual rate of 4.8 percent over the plan period. The annual decrease in FY 2013 is driven by the impact of collective bargaining agreements, attritions and the prepayment of certain pension costs in FY 2012. Increases in future years are driven by projected growth in health insurance and pension costs, offset by revenue collected from fringe benefit assessments, particularly from the mental hygiene agencies.

TRANSFERS TO OTHER FUNDS (GENERAL FUND BASIS)

MULTI-YEAR DISBURSEMENT PROJECTIONS - GENERAL FUND TRANSFERS TO OTHER FUNDS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Transfers to Other Funds:	**6,128**	**7,167**	**8,736**	**9,659**	**9,925**
Medicaid State Share	2,912	2,903	2,697	2,551	2,451
Debt Service	1,539	1,610	1,681	1,611	1,585
Capital Projects	790	1,079	1,278	1,403	1,298
Dedicated Highway and Bridge Trust Fund	453	543	605	619	621
All Other Capital	337	536	673	784	677
All Other Transfers	887	1,575	3,080	4,094	4,591
Mental Hygiene	0	69	955	1,886	2,475
Medicaid Payments for State Facility Patients	244	244	244	244	244
Judiciary Funds	113	115	116	117	118
SED GSPS	138	56	0	0	0
SUNY - Operating Subsidy	0	390	976	995	1,015
SUNY - Hospital Operations	60	60	60	60	60
Banking Services	61	57	65	65	65
Financial Management System	36	50	55	55	55
Indigent Legal Services	40	40	40	40	40
Department of Transportation (MTA Tax)	25	279	332	334	334
Mass Transportation Operating Assistance	19	19	19	19	19
Alcoholic Beverage Control	17	17	19	20	20
DCJS - Crimes Against Revenues Account	16	16	16	16	16
Public Transportation Systems	12	12	12	12	12
Correctional Industries	10	10	10	10	10
OFT Centralized Tech Services	4	24	52	20	10
All Other	92	117	109	201	98

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.

A significant portion of the capital and operating expenses of DOT and DMV are funded from 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.

Transfers to other funds are expected to total $7.2 billion in FY 2013, an annual increase of over $1.0 billion, or 17 percent. This increase is mainly due to higher costs related to capital projects, the SUNY operating subsidy, Mental Hygiene, and supplementation to MTA for the recent payroll tax reduction.

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, 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)				
	FY 2012 Current	FY 2013 Proposed	Annual Change	Percent Change
General Fund	**1,539**	**1,610**	**71**	**4.6%**
Other State Support	4,333	4,539	206	4.8%
State Operating Funds	**5,872**	**6,149**	**277**	**4.7%**
Total All Funds	**5,872**	**6,149**	**277**	**4.7%**

Total debt service is projected at $6.1 billion in FY 2013, of which $1.6 billion is paid from the General Fund through transfers, and $4.5 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.

Executive Budget projections for debt service spending have been revised to reflect the pre-payment of $140 million of SUNY debt service in March 2012. Otherwise, FY 2013 debt service estimates are relatively unchanged compared to prior estimates, with minor revisions for PIT, Mental Health, DHBTF, and other bonding programs.

GAAP-BASIS RESULTS FOR PRIOR FISCAL YEARS

The Comptroller prepares Basic Financial Statements and Other Supplementary Information on a GAAP basis for governments as promulgated by the GASB. The Basic Financial Statements, released in July each year, include the Statements of Net Assets and Activities; the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds; the Statements of Net Assets, Revenues, Expenses and Changes in Fund Net Assets and Cash Flows for the Enterprise Funds; the Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets; and the Combining Statements of Net Assets and Activities for Discretely Presented Component Units. These statements are audited by independent certified public accountants. The Comptroller also prepares and issues a Comprehensive Annual Financial Report ("CAFR"), which includes a management discussion and analysis ("MD&A"), the Basic Financial Statements, required supplementary information, other supplementary information which includes individual fund combining statements, and a statistical section.

The following table summarizes recent governmental funds results on a GAAP basis. The State issued the Basic Financial Statements for FY 2011 in July 2011.

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

Fiscal Year Ended	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	All Governmental Funds	Accum. General Fund Surplus/(Deficit)
March 31, 2011	1,529	742	198	(568)	1,901	(2,009)
March 31, 2010	(594)	(722)	378	1,061	123	(3,538)
March 31, 2009	(6,895)	(1,183)	35	44	(7,999)	(2,944)

Summary of Net Assets
(millions of dollars)

Fiscal Year Ended	Governmental Activities	Business-Type Activities	Total Primary Government
March 31, 2011	27,648	(618)	27,030
March 31, 2010	27,976	116	28,092
March 31, 2009	30,894	3,031	33,925

The Basic Financial Statements (including Other Supplementary Information) and the CAFR can be obtained from the Office of the State Comptroller, 110 State Street, Albany, NY 12236 or at the Office of the State Comptroller's website at www.osc.state.ny.us. The Basic Financial Statements can also be accessed through EMMA at www.emma.msrb.org.

STATE RETIREMENT SYSTEMS

GENERAL

This section summarizes key disclosures regarding the New York State and Local Retirement System ("NYSLRS" or the "Systems") and the Common Retirement Fund ("CRF"), a pooled investment vehicle which holds its assets. Greater detail, including the independent auditor's report for the fiscal year ending March 31, 2011, is included in NYSLRS' Comprehensive Annual Financial Report ("NYSLRS' CAFR") for the fiscal year ended March 31, 2011. A copy of NYSLRS' CAFR and Asset Listing, the NYSLRS' CAFR for each of the seven prior fiscal years, the Actuary's Annual Reports to the Comptroller issued from 2007 through 2011 and benefit plan booklets may be accessed at www.osc.state.ny.us/retire/publications. The Systems provide coverage for public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). The Systems comprise the New York State and Local Employees' Retirement System ("ERS") and the New York State and Local Police and Fire Retirement System ("PFRS"). The Comptroller is the administrative head of the Systems. State employees made up about 32 percent of the membership during FY 2011. There were 3,039 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees) and many local authorities of the State.

As of March 31, 2011, 672,723 persons were members of the Systems and 385,031 pensioners or beneficiaries were receiving benefits. The State Constitution considers membership in any State pension or retirement system to be a contractual relationship, the benefits of which shall not be diminished or impaired.

The investment losses experienced by the CRF in FY 2009 negatively impacted the value of assets held for the Systems. The current actuarial smoothing method spreads the impact over a 5-year period. Thus, contribution rates increased for FY 2011, FY 2012 and FY 2013 and further increases are expected for FY 2014 and FY 2015. The amount of such future increases will depend, in part, on the value of the assets held by the CRF as of each April 1, as well as on the present value of the anticipated benefits to be paid by the Systems as of each April 1. In addition, the assumed investment rate of return used by the Systems' Actuary, which is one of the factors used to calculate contribution requirements, was reduced from 8 percent to 7.5 percent beginning with FY 2012. Final contribution rates for FY 2013 were released in early September 2011. The average ERS rate increased from 16.3 percent of salary in FY 2012 to 18.9 percent of salary in FY 2013, while the average PFRS rate increased from 21.6 percent of salary in FY 2012 to 25.8 percent of salary in FY 2013. Information regarding average rates for FY 2013 may be found in the 2011 Annual Report to the Comptroller on Actuarial Assumptions which is accessible at www.osc.state.ny.us/retire/publications.

The Systems' members are categorized into one of five tiers depending on date of membership. Benefits provided to members vary depending on tier membership. Tier 5 was added pursuant to legislation enacted in 2009 and resulted in significant changes to the benefit structure for ERS members joining on or after January 1, 2010 and PFRS members joining on or after January 9, 2010. The following charts compares the benefits provided to members in Tiers 2 through 5 (approximately 91 percent of the Systems' members as of March 31, 2011 were in Tiers 3 and 4).

TIER BENEFIT COMPARISON

New York State and Local Employees' Retirement System			
Benefit	**Tier 2**	**Tiers 3 & 4**	**Tier 5**
Vesting	Five Years	Five Years	Ten Years
Overtime Cap	No Cap	No Cap	$15,000/year with 3% annual escalation (2012 limit is $15,913)
Contributions	No Contributions	3% for ten years	3% for entire career[1]
Regular Retirement[2]	Age 62 and five years service credit or Age 55 and 30 years of service credit	Age 62 and five years service credit or Age 55 and 30 years of service credit	Age 62 and ten years service credit[3]
Early Retirement	Reduction for early retirement between ages 55 and 62 with less than 30 years of service credit	Reduction for early retirement between ages 55 and 62 with less than 30 years of service credit	Increased reduction for early retirement between 55 and 62 regardless of years of service[3]

1. Correction Officers' contributions cease w/ 30 years of service credit. Peace Officers/Court Officers contribute 4 percent.
2. Does not include special plans which permit retirement upon accrual of a certain number of years without regard to age (uniform services plans).
3. Uniformed Court and Peace Officers employed by the Unified Court System, with 30 years of service, may retire after age 55 with no reductions to their pension benefit.

New York State and Local Police and Fire Retirement System			
Benefit	**Tier 2[1]**	**Tier 3**	**Tier 5**
Vesting	Five Years	Five Years	Ten Years
Overtime Cap	No Cap	No Cap	15 percent per year of regular salary
Contributions	No Contributions	3% for first 25 years of service if enrolled in a 20-year plan, or 25 year plan (if 1-year FAS provision has been adopted)	3% for entire career or until maximum service credit accrued[2]
Regular Retirement	Completion of 20 or 25 years of service (depending on job title), regardless of age	Completion of 22 years of service, regardless of age	Completion of 20 or 25 years of service (depending on job title), regardless of age
Early Retirement	N/A	Completion of 20 years of service, regardless of age	N/A

1. The vast majority of active PFRS members are enrolled in Tier 2. Tier 3 applies to less than 300 members hired between 7/1/09 and 1/08/10. The PFRS plan has no Tier 4. Tier 5 applies to all PFRS members hired on or after 1/09/10.
2. Certain PFRS members are non-contributory (see "Contributions" section herein).

Legislation enacted in June 2010 provided the State and local employers with the option to offer a temporary Retirement Incentive Program (ERI) for certain ERS members. This program did not apply to PFRS members. The Program had two distinct parts:

- Part A was a targeted incentive. Employers identified eligible titles. Part A provided one additional month of service credit for each year of credited service an eligible member had at retirement. The maximum additional incentive service credit was three years.

- Part B was not targeted. It was open to all eligible Tier 2, 3 and 4 members unless an employer deemed a member's position critical to the maintenance of public health and safety. Part B allowed members who were at least age 55 and had 25 years or more of service credit to retire without a benefit reduction.

Members whose employer offered both parts of the program, and who met the eligibility requirements of both parts, had to choose between the two. The cost of the incentive is borne by the State and each employer electing the incentive over a five-year period commencing with a payment in FY 2012. A total of 6,412 members retired under the State ERI. Three hundred ninety-nine (399) participating employers elected to participate in Part A of the ERI. Two hundred eleven (211) participating employers elected to participate in Part B of the ERI. Five thousand four hundred fifty three (5,453) members from participating employers retired under the ERI.

An amendment to the laws adopted in 2010 authorized the State and participating employers to amortize a portion of their annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute. Amortized amounts must be paid by State and participating employers in equal annual installments over a ten-year period, and employers may prepay these amounts at any time without penalty. Employers would pay interest on the amortized amount at a rate determined by the Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate will be set annually. Rates will vary according to market performance. The interest rate on the amount an employer chooses to amortize in a particular rate year will be the rate for that year and will be fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year, which may be different from the previous rate year. For amounts amortized in fiscal year 2011, the Comptroller has set an interest rate of 5 percent. For amounts amortized in fiscal year 2012, the interest rate is 3.75 percent. The first payment will be due in the fiscal year following the decision to amortize pension costs. Part TT of Chapter 57 further provides that when contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elected to amortize will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future. These reserve funds will be invested separately from pension assets. Over time, it is expected that this will reduce the budgetary volatility of employer contributions (see the section on "Other Matters Affecting the Financial Plan" in this AIS Update for DOB projections of amounts amortized in FY 2011 and amounts expected to be amortized in FY 2012 through FY 2021.) In FY 2011, the State elected to amortize $249.6 million, and 57 participating employers amortized a total of $43.75 million. Please see "Other Matters Affecting the Financial Plan - Pension Amortization" herein.

CONTRIBUTIONS

Contributions to the Systems are provided by employers and employees. Employers contribute on the basis of the plan or plans they provide for members. All ERS members joining from mid-1976 through 2009 are required to contribute 3 percent of their salaries for the first ten years of membership. All ERS members joining after 2009, and most PFRS members joining after January 9, 2010, are required to contribute 3 percent of their salaries for their career. However, if a participating employer had a collective bargaining agreement in effect when Tier 5 became effective on January 9, 2010, that provided for PFRS members to be non-contributory, individuals who first become Tier 5 members prior to the expiration of the agreement would be non-contributory in their plan for their career. Individuals who first became Tier 5 members after the expiration of the current collective bargaining agreement would be subject to the 3 percent contribution.

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

Amendments to the laws adopted in 2004 authorized the State and local employers to amortize over ten years, at five percent interest, a portion of their annual bill for FY 2005, FY 2006 and FY 2007. As of March 31, 2011, the amortized amount receivable for FY 2005 from the State is $229.4 million and from participating employers is $48.5 million; the amortized amount receivable for FY 2006 from the State is $87.7 million and from participating employers is $17.2 million; and the amortized amount receivable for FY 2007 from participating employers is $15.8 million. The State did not amortize any portion of its 2007 contributions.

The State paid $1,303.2 million in contributions (including judiciary) for FY 2011, including amortization payments of some $87.0 million for 2005 and 2006 bills. As noted above, the State elected to amortize $249.6 million for FY 2011 under Part TT of Chapter 57 of the laws of 2010. The State payment (including Judiciary) due March 1, 2012 is $1,958.0 million. Prepayments (including interest credit) have reduced this amount by $49.4 million to $1,908.6 million. The State (including Judiciary) has the option to amortize up to $562.9 million which would reduce the required payment to $1,345.7 million. The estimated State payment (including Judiciary) for FY 2013 is $2,223.3 million of which the State has the option to amortize up to $781.9 million which would reduce the required payment due March 1, 2013 to $1,441.2 million. The State payment for FY 2013 is an estimate. If these amounts change, then the amounts that can be amortized would also change. Amounts amortized are treated as receivables for purposes of calculating assets of the CRF.

PENSION ASSETS AND LIABILITIES

Assets are held by the CRF for the exclusive benefit of members, pensioners and beneficiaries. Investments for the Systems are made by the Comptroller as trustee of the CRF. The Systems report that the net assets available for benefits as of March 31, 2011 were $149.5 billion (including $3.4 billion in receivables, which consist of employer contributions, member contributions, member loans, accrued interest and dividends, investment sales and other miscellaneous receivables), an increase of $15.3 billion or 11.4 percent from the FY 2010 level of $134.2 billion. The increase in net assets available for benefits from FY 2010 to FY 2011 reflects, in large part, equity market performance[5]. The Systems report that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from $186.8 billion on April 1, 2010 to $194.3 billion (including $80.8 billion for current retirees and beneficiaries) on April 1, 2011. The funding method used by the Systems anticipates that the net assets, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from net assets on April 1, 2011 in that amortized cost was used instead of market value for bonds and mortgages, and the non-fixed investments utilized a smoothing method which recognized 20 percent of unexpected gain for FY 2011, 40 percent of the unexpected gain for the FY 2010, 60 percent of the unexpected loss for FY

[5] On November 22, 2011, the State Comptroller released a statement indicating that the value of the Systems' invested assets posted a negative 7.48 percent rate of return through September 30, 2011. This report reflects unaudited data for assets invested on behalf of the Systems. The value of invested assets changes daily.

2009 and 80 percent of the unexpected gain for FY 2008. Actuarial assets increased from $147.7 billion on April 1, 2010 to $148.6 billion on April 1, 2011. The funded ratio, as of April 1, 2011, calculated by the System Actuary in August 2011 using the entry age normal funding method and actuarial assets, was 90 percent. Detail on the funded ratios of ERS and PFRS as of April 1 for each of the five years previous to the fiscal year ended March 31, 2011 can be found on page 54 of the NYSLRS' CAFR for the fiscal year ending March 31, 2011. Detail regarding employers Annual Required Contributions for FY 2011 and each of the five previous fiscal years can be found on page 55 of the NYSLRS CAFR for the fiscal year ending March 31, 2011.

The tables that follow show net assets, benefits paid and the actuarially determined contributions that have been made over the last 12 years. See also "Contributions" above.

CONTRIBUTIONS AND BENEFITS
NEW YORK STATE AND LOCAL RETIREMENT SYSTEMS
(millions of dollars)

Fiscal Year Ended March 31	Contributions Recorded				Total Benefits Paid(3)
	All Participating Employers(1)(2)	Local Employers(1)(2)	State(1)(2)	Employees	
2000	165	11	154	423	3,787
2001	215	112	103	319	4,267
2002	264	199	65	210	4,576
2003	652	378	274	219	5,030
2004	1,287	832	455	222	5,424
2005	2,965	1,877	1,088	227	5,691
2006	2,782	1,714	1,068	241	6,073
2007	2,718	1,730	988	250	6,432
2008	2,649	1,641	1,008	266	6,883
2009	2,456	1,567	889	273	7,265
2010	2,344	1,447	897	284	7,719
2011	4,165	2,406	1,759	286	8,520
2012 [4]	4,940	3,112	1,828	306	8,904

(1) Contributions recorded include the full amount of unpaid amortized contributions.

(2) The annual required contributions (ARC) include the employers' normal costs, the Group Life Insurance Plan amounts, and other supplemental amounts. Additional information on the ARC can be accessed on page 55 of the NYSLRS CAFR for fiscal year ending March 31, 2011.

(3) Includes payments from Group Life Insurance Plan, which funds the first $50,000 of any death benefit paid.

(4) Amounts reflected for FY 2012 are estimates provided by the Division of the Budget.

NET ASSETS AVAILABLE FOR BENEFITS OF THE
NEW YORK STATE AND LOCAL RETIREMENT SYSTEMS (1)
(millions of dollars)

Fiscal Year Ended March 31	Total Assets	Percent Increase/ (Decrease) From Prior Year
2000	128,889	14.3
2001	114,044	(11.5)
2002	112,725	(1.2)
2003	97,373	(13.6)
2004	120,799	24.1
2005	128,038	6.0
2006	142,620	11.4
2007	156,625	9.8
2008	155,846	(0.5)
2009	110,938	(28.8)
2010	134,252	21.0
2011	149,549	11.4

Sources: State and Local Retirement Systems.

(1) Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2011 includes approximately $3.4 billion of receivables.

AUTHORITIES AND LOCALITIES

PUBLIC AUTHORITIES

For the purposes of this section, "authorities" refer to public benefit corporations or public authorities, created pursuant to State law, which are reported in the State's CAFR. Authorities are not subject to the constitutional restrictions on the incurrence of debt that apply to the State itself and may issue bonds and notes within the amounts and restrictions set forth in legislative authorization. The State's access to the public credit markets could be impaired and the market price of its outstanding debt may be materially and adversely affected if certain of its authorities were to default on their respective obligations, particularly those classified as State-supported or State-related debt.

The State has numerous public authorities with various responsibilities, including those which finance, construct and/or operate revenue-producing public facilities. These entities generally pay their own operating expenses and debt service costs from revenues generated by the projects they finance or operate, such as tolls charged for the use of highways, bridges or tunnels, charges for public power, electric and gas utility services, tuition and fees, rentals charged for housing units, and charges for occupancy at medical care facilities. In addition, State legislation also authorizes several financing structures, which may be utilized for the financings. The FY 2013 Executive Budget includes a proposal that would authorize any public benefit corporation to make voluntary contributions to the State's General Fund or to any other public benefit corporation at any time from any funds as deemed feasible and advisable by the public benefit corporation's governing board after due consideration of the public benefit corporation's legal and financial obligations, and would deem such payment a "valid and proper purpose" for such funds.

There are statutory arrangements that, under certain circumstances, authorize State local assistance payments otherwise payable to localities to be made instead to the issuing public authorities in order to secure the payment of debt service on their revenue bonds and notes. However, the State has no constitutional or statutory obligation to provide assistance to localities beyond amounts that have been appropriated therefore in any given year. Some public authorities also receive moneys from State appropriations to pay for the operating costs of certain programs.

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THE CITY OF NEW YORK

The fiscal demands on the State may be affected by the fiscal condition of the City, which relies in part on State aid to balance its budget and meet its cash requirements. It is also possible that the State's finances may be affected by the ability of the City, and certain entities issuing debt for the benefit of the City, to market securities successfully in the public credit markets. The official financial disclosure of the City of New York and the financing entities issuing debt on its behalf is available by contacting Raymond J. Orlando, City Director of Investor Relations, (212) 788-5875, or contacting the City Office of Management and Budget, 75 Park Place, 6th Floor, New York, NY 10007. The State assumes no liability or responsibility for any financial information reported by the City of New York. The following table summarizes the debt of New York City.

DEBT OF NEW YORK CITY
AS OF JUNE 30 OF EACH YEAR
(millions of dollars)

Year	General Obligation Bonds	Obligations of TFA (1)		Obligations of Municipal Assistance Corporation	Obligations of STAR Corp. (2)	Obligations of TSASC, Inc.	Hudson Yards Infrastructure Corporation	Other(3) Obligations	Treasury Obligations	Total
1980	6,179	0		6,116	0	0	0	995	(295)	12,995
1990	13,499	0		7,122	0	0	0	1,077	(1,671)	20,027
2000	27,245	6,438	(4)	3,532	0	709	0	2,065	(230)	39,759
2001	27,147	7,386		3,217	0	704	0	2,019	(168)	40,305
2002	28,465	10,489	(5)	2,880	0	740	0	2,463	(116)	44,921
2003	29,679	13,134	(6)	2,151	0	1,258	0	2,328	(64)	48,486
2004	31,378	13,364		1,758	0	1,256	0	2,561	(52)	50,265
2005	33,903	12,977		0	2,551	1,283	0	3,746	(39)	54,421
2006	35,844	12,233		0	2,470	1,334	0	3,500	0	55,381
2007	34,506	14,607		0	2,368	1,317	2,100	3,394	0	58,292
2008	36,100	14,828		0	2,339	1,297	2,067	2,556	0	59,187
2009	39,991	16,913		0	2,253	1,274	2,033	2,442	0	64,906
2010	41,555	20,094		0	2,178	1,265	2,000	2,402	0	69,494
2011	41,785	23,820		0	2,117	1,260	2,000	2,556	0	73,538

Source: Office of the State Comptroller.

(1) Includes amounts for Building Aid Revenue Bonds (BARBS), the debt service on which will be funded solely from future State Building Aid payments that are subject to appropriation by the State and have been assigned by the City of New York to the Transitional Finance Authority (TFA).

(2) A portion of the proceeds of the Sales Tax Asset Receivable Corporation (STARC) Bonds were used to retire outstanding Municipal Assistance Corporation bonds. The debt service on STARC bonds will be funded from annual revenues to be provided by the State, subject to annual appropriation. These revenues have been assigned to the Corporation by the Mayor of The City of New York.

(3) Includes bonds issued by the Fiscal Year 2005 Securitization Corporation, the Industrial Development Agency and the Samurai Funding Corporation. Also included are bonds issued by the Dormitory Authority of the State of New York for education, health, and court capital projects and other long-term leases which will be repaid from revenues of the City or revenues that would otherwise be available to the City if not needed for debt service.

(4) Includes $515 million of bond anticipation notes issued to finance the City's capital expenditures.

(5) Includes $2.2 billion of bond anticipation notes used to finance the City's capital expenditures in the amount of $1.2 billion and Recovery notes for costs related to and arising from events on September 11, 2001 at the World Trade Center in the amount of $1 billion.

(6) Includes $1.11 billion of bond anticipation notes issued to finance the City's capital expenditures.

The staffs of the Financial Control Board for the City of New York (FCB), the Office of the State Deputy Comptroller (OSDC), the City Comptroller and the Independent Budget Office issue periodic reports on the City's financial plans. Copies of the most recent reports are available by contacting: FCB, 123 William Street, 23rd Floor, New York, NY 10038, Attention: Executive Director; OSDC, 59 Maiden Lane, 29th Floor, New York, NY 10038, Attention: Deputy Comptroller; City Comptroller, Municipal Building, 6th Floor, One Centre Street, New York, NY 10007-2341, Attention: Deputy Comptroller for Budget; and IBO, 110 William Street, 14th Floor, New York, NY 10038, Attention: Director.

OTHER LOCALITIES

Certain localities outside New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing has become more common in recent years. Between 2004 and January 2012, the State Legislature authorized 21 bond issuances to finance local government operating deficits, including four deficit financing authorizations during the 2009 and 2010 legislative sessions. Furthermore, the State has periodically enacted legislation to create oversight boards in order to address deteriorating fiscal conditions within a locality.

The Buffalo Fiscal Stability Authority has exercised Control Period powers with respect to the City of Buffalo since the City's FY 2004, but may transition to Advisory Period powers during the City's FY 2012. In January 2011, the Nassau County Interim Finance Authority ("NIFA") declared that it was entering a Control Period, citing the "substantial likelihood and imminence" that Nassau would incur a major operating funds deficit of 1 percent or more during the County's FY 2011.

Nassau County commenced a lawsuit challenging NIFA's determination and authority to impose a Control Period, and seeking to enjoin the imposition of the Control Period. State Supreme Court denied the injunction and the County has indicated it is no longer pursuing the lawsuit. NIFA is now operating with Control Period powers.

Erie County has a Fiscal Stability Authority, the City of New York has a Financial Control Board, and the City of Troy has a Supervisory Board, all of which presently perform certain review and advisory functions. The City of Yonkers no longer operates under an oversight board but must adhere to a Special Local Finance and Budget Act. The City of Newburgh operates under fiscal monitoring by the State Comptroller. The potential impact on the State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State's receipts and disbursements for the State's FY 2012 or thereafter.

Like the State, local governments must respond to changing political, economic and financial influences over which they have little or no control. Such changes may adversely affect the financial condition of certain local governments. For example, the State or Federal government may reduce (or in some cases eliminate) funding of some local programs or disallow certain claims which, in turn, may require local governments to fund these expenditures from their own resources. The loss of temporary Federal stimulus funding also adversely impacted counties and school districts in New York State. State cashflow problems in prior fiscal years have resulted in delays in the payment of State aid, and in some cases have necessitated borrowing by the localities. Additionally, recent enactment of legislation that caps most local government and school district property tax levies may affect the amount of property tax revenue available for local government and school district purposes. The legislation does not apply to New York City. Changes to sales tax distributions resulting from the 2010 Federal population census may also have a material impact on certain local governments. Ultimately, localities as well as local public authorities may suffer serious financial difficulties that could jeopardize local access to the public credit markets, which may adversely affect the marketability of notes and bonds issued by localities within the State. Localities may also face unanticipated problems resulting from certain pending litigation, judicial decisions and long-range economic trends. Other large-scale potential problems, such as declining urban populations, declines in the real property tax base, increasing pension, health care and other fixed costs, and the loss of skilled manufacturing jobs, may also adversely affect localities and necessitate requests for State assistance.

SELECTED STATE GOVERNMENT SUMMARY

STATE GOVERNMENT ORGANIZATION

The State has a centralized administrative system with most executive powers vested in the Governor. The State has four officials elected in statewide elections, the Governor, Lieutenant Governor, Comptroller and Attorney General. These officials serve four-year terms that next expire on December 31, 2014.

Name	Office	Party Affiliation	First Elected
Andrew M. Cuomo	Governor	Democrat	2010
Robert J. Duffy	Lieutenant Governor	Democrat	2010
Thomas P. DiNapoli*	Comptroller	Democrat	2007
Eric T. Schneiderman	Attorney General	Democrat	2010

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**Elected by the State Legislature on February 7, 2007 following the December 2006 resignation of Comptroller Hevesi. Comptroller DiNapoli subsequently was elected by the voters during the November 2010 general election.*

The Governor and Lieutenant Governor are elected jointly. The Comptroller and Attorney General are chosen separately by the voters during the election of the Governor. The Governor appoints the heads of most State departments, including the Director of the Budget (the current Director is Robert L. Megna). DOB is responsible for preparing the Governor's Executive Budget, negotiating that budget with the State Legislature, and implementing the budget once it is adopted, which includes updating the State's fiscal projections quarterly. DOB is also responsible for coordinating the State’s capital program and debt financing activities. The Comptroller is responsible for auditing the disbursements, receipts and accounts of the State, reviewing and approving most State agency disbursement contracts in excess of $50,000 (as discussed in the “Appropriations and Fiscal Controls” section that follows) and non-disbursement contracts in excess of $10,000, as well as for auditing State departments, agencies, public authorities and municipalities. The Comptroller is also charged with managing the State's general obligation debt and most of its investments (see “Investment of State Moneys” and “Accounting Practices, Financial Reporting and Budgeting” in the AIS dated May 24, 2011). The Attorney General is the legal advisor to State departments, represents the State and certain public authorities in legal proceedings and opines upon the validity of all State general obligation bonds and notes.

The State Legislature is composed of a 62-member Senate and a 150-member Assembly, all elected from geographical districts for two-year terms, expiring December 31, 2012. Both the Senate and the Assembly operate on a committee system. The Legislature meets annually, generally for about six months, and remains formally in session the entire year. In recent years there have been special sessions, as well. The current majority leaders are President Pro Tempore Dean Skelos (Republican) in the Senate and Sheldon Silver (Democrat), Speaker of the Assembly. The Minority leaders are John Sampson (Democrat) in the Senate and Brian Kolb (Republican) in the Assembly.

APPROPRIATIONS AND FISCAL CONTROLS

The State Constitution requires the Comptroller to audit the accrual and collection of State revenues and receipts and to audit vouchers before payment and all official accounts. Generally, no State payment may be made unless the Comptroller has audited it. Additionally, the State Constitution requires the Comptroller to prescribe such methods of accounting as are necessary for the performance of the foregoing duties.

Disbursements from State funds are limited to the level of authorized appropriations. Disbursements from Federal funds must be appropriated in accordance with appropriate legal authority, are limited to the amounts anticipated from Federal programs and may not be made in the absence of appropriate certifications from the Director of the Budget. Generally, most State contracts for disbursements in excess of $50,000 (or $85,000 in the case of the Office of General Services) require prior approval by the Comptroller. However, certain contracts, primarily of SUNY and CUNY, are not subject to approval by the Comptroller, and certain other contracts are subject to higher thresholds. In most cases, State agency contracts depend upon the existence of an appropriation and the issuance of a certificate of availability by the Director of the Budget. The Budget Director must review all applications for State participation in continuing grant- or contract-supported programs, with specified exceptions. Certain legislative leaders have the opportunity to make recommendations on the applications. In addition, the Comptroller has the discretion to identify and review certain public authority contracts valued at $1.0 million or greater that are either awarded without competition or which are paid using State-appropriated funds. The FY 2013 Executive Budget includes a proposal which would expand the use of centralized contracts through the Office of General Services, and would exempt these contracts from the Comptroller's review and approval.

Appropriations may be increased or decreased in accordance with statutory authority under certain circumstances by transfer, interchange or otherwise. In addition, appropriations may be increased or decreased by statutory amendment or by supplemental appropriations. Moneys or other financial resources from one fund may also be loaned to another fund, but only if such loan is repaid in full prior to the end of the month in which the loan was made, except as provided by law. The FY 2013 Executive Budget proposes new language in most State operations appropriations, as well as certain capital projects appropriations, to allow the Director of the Budget to interchange, transfer, or suballocate the amount of the appropriation to any State department, agency or public authority.

In addition, the Governor has traditionally exercised substantial authority in administering the State Financial Plan by limiting certain disbursements after the Legislature has enacted appropriation bills and revenue measures. The Governor may, primarily through the Director of the Budget, limit certain spending by State departments, and delay construction projects to control disbursements using the Director of the Budget's certification process. An important limitation of the Governor's ability to restrict disbursements is that local assistance payments, which typically make up close to 70 percent of General Fund disbursements (including operating transfers to other funds), are generally mandated by statute. The State Court of Appeals has held that, even in an effort to maintain a balanced Financial Plan, neither the Governor nor the Director of the Budget has the authority to refuse to make a local assistance disbursement mandated by law.

LITIGATION AND ARBITRATION

REAL PROPERTY CLAIMS

There are several cases in which Native American tribes have asserted possessory interests in real property or sought monetary damages as a result of claims that certain transfers of property from the tribes or their predecessors-in-interest in the 18th and 19th Centuries were illegal.

In *Oneida Indian Nation of New York v. State of New York*, 74-CV-187 (NDNY), the plaintiff, alleged successors-in-interest to the historic Oneida Indian Nation, seek a declaration that they hold a current possessory interest in approximately 250,000 acres of lands that the tribe sold to the State in a series of transactions that took place between 1795 and 1846, money damages, and the ejectment of the State and Madison and Oneida Counties from all publicly-held lands in the claim area. In 1998, the United States intervened in support of plaintiff.

During the pendency of this case, significant decisions were rendered by the United States Supreme Court and the Second Circuit Court of Appeals which changed the legal landscape pertaining to ancient land claims: *City of Sherrill v. Oneida Indian Nation of New York,* 544 U.S. 197 (2005), and *Cayuga Indian Nation of New York v. Pataki*, 413 F.3d 266 (2d Cir. 2005), *cert. denied*, 126 S.Ct. 2021, 2022 (2006). Taken together, these cases have made clear that the equitable doctrines of laches, acquiescence, and impossibility can bar ancient land claims.

Relying on these decisions, in *Oneida Indian Nation et al. v. County of Oneida et al.*, 617 F.3d 114 (2d Cir. 2010), the Second Circuit Court of Appeals dismissed the *Oneida* land claim. On October 17, 2011, the United States Supreme Court denied plaintiffs' petitions for certiorari to review the decision of the Second Circuit.

In *Canadian St. Regis Band of Mohawk Indians, et al. v. State of New York, et al.* (NDNY), plaintiffs seek ejectment and monetary damages for their claim that approximately 15,000 acres in Franklin and St. Lawrence Counties were illegally transferred from their predecessors-in-interest. The defendants' motion for judgment on the pleadings, relying on the decisions in *Sherrill, Cayuga,* and *Oneida*, is pending in District Court.

In *The Onondaga Nation v. The State of New York, et al.* (NDNY), plaintiff seeks a judgment declaring that certain lands allegedly constituting the aboriginal territory of the Onondaga Nation within the State are the property of the Onondaga Nation and the Haudenosaunee, or "Six Nations Iroquois Confederacy," and that conveyances of portions of that land during the period 1788 to 1822 are null and void. The "aboriginal territory" described in the complaint consists of an area or strip of land running generally north and south from the St. Lawrence River in the north, along the east side of Lake Ontario, and south as far as the Pennsylvania border, varying in width from about 10 miles to more than 40 miles, including the area constituting the City of Syracuse. On September 22, 2010, the District Court granted defendants' motion to dismiss the action for laches, based on the *Oneida, Sherrill* and *Cayuga* decisions. Plaintiff's appeal of that decision is pending before the Second Circuit Court of Appeals.

In *Shinnecock Indian Nation v. State of New York, et al*. (EDNY), plaintiff seeks ejectment, monetary damages, and declaratory and injunctive relief for its claim that approximately 3,600 acres in the Town of Southampton were illegally transferred from its predecessors-in-interest. On December 5, 2006, the District Court granted defendants' motion to dismiss, based on the *Sherrill* and *Cayuga* decisions. Plaintiff moved for reconsideration before the District Court and also appealed to the Second

Circuit Court of Appeals. The motions for reconsideration and appeal have both been stayed pending resolution of the Second Circuit's dismissal of the Oneida land claim.

WEST VALLEY LITIGATION

In *State of New York, et al. v. The United States of America, et al*., 06-CV-810 (WDNY), the parties have sought to resolve the relative responsibilities of the State and federal governments for the cost of remediating the Western New York Nuclear Service Center (the "Center" or "Site"), located in West Valley, Cattaraugus County, New York. The Center was established by the State in the 1960s in response to a federal call to commercialize the reprocessing of spent nuclear fuel from power reactors. The private company that had leased the Site ceased operations in 1972, leaving behind two disposal areas and lagoons, highly contaminated buildings, and 600,000 gallons of liquid high level radioactive waste (HLRW) generated by reprocessing activities.

Congress enacted the West Valley Demonstration Project Act (the "Act") in 1980, directing the federal government to solidify the HLRW and transport it to a federal repository, decontaminate and decommission the facilities and dispose of the low-level waste produced from the Project. The Act directed the State to pay 10 percent of the Project costs. However, for many years the two governments disputed what additional cleanup is needed; which cleanup activities are covered by the Act (and thus subject to the 90/10 split); who bears the long-term responsibility for maintaining, repairing or replacing and monitoring tanks or other facilities that are decommissioned in place at the Site; and who pays for the offsite disposal fee for the solidified HLRW. The combined Federal and State cost expenditures to date amount to approximately $2.6 billion. The State's expenditures at the Center are now approaching $320 million.

In order to resolve these disputes, the State and the New York State ERDA (which owns the Center on behalf of NYS) filed suit in December 2006, seeking a declaration: (1) that the federal government (which sent wastes from various federal facilities to the Center) is liable under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA, or federal Superfund law) for the State's cleanup costs and for damages to the State's natural resources, and a judgment reimbursing the State for these costs and damages, (2) of the scope of the federal government's responsibilities under the Act to decontaminate and decommission the Site and for further Site monitoring and maintenance, and (3) that the US is responsible under the Nuclear Waste Policy Act for paying the fees for disposal of solidified HLRW at the Site. After commencement of the action, the parties engaged in court-ordered mediation, as a result of which a consent decree was approved and entered on August 17, 2010 resolving several key claims in the litigation.

The Consent Decree identifies a specific cost share for each government for specified facilities and known areas of contamination, and sets forth a process for determining cost shares for contamination that may be identified in the future. The Consent Decree does <u>not</u> select or advocate the selection of any particular cleanup program for the Site-cleanup decisions are being made via the ongoing Environmental Impact Statement (EIS) process.

The Consent Decree also does not resolve two claims raised in the State's lawsuit - the State's natural resource damages claim and its Nuclear Waste Policy Act claim. The first claim, which the federal government has agreed to toll, will be pursued by the NYS Department of Environmental Conservation (DEC) (as trustee of the State's natural resources) and the Attorney General's office. Regarding the latter claim, the State asserts that the federal government bears sole responsibility for the cost of disposing of the 275 canisters of vitrified HLRW waste remaining at the Site at a federal repository once one becomes available. This claim was neither settled nor dismissed and remains in litigation. The District Court will advise the parties as to the date of a conference for the purpose of preparing a scheduling order for adjudicating this claim. In the meantime, the parties are discussing potential ways to resolve the Nuclear Waste Policy Act claim without litigation.

METROPOLITAN TRANSPORTATION AUTHORITY

There are several cases in which the plaintiffs challenge the constitutionality of Chapter 25 of the Laws of 2009, which imposed certain taxes and fees, including a regional payroll tax, in that portion of the State lying within the Metropolitan Commuter Transportation District. The revenues derived from this statute are intended to assist the Metropolitan Transportation Authority, which a State commission concluded was facing substantial financial pressure. The plaintiffs seek judgments declaring that the enactment of Chapter 25 violated State constitutional provisions relating to the need for a home rule message, supermajority requirements for enactment of special or local laws, single purpose appropriation bill, and liability for the debts of public authorities. Some of the plaintiffs also seek a judgment declaring that the enactment of Chapter 25 violated provisions of Public Authority Law §1266 requiring that the Metropolitan Transportation Authority be self-sustaining. These cases include *Hampton Transportation Ventures, Inc. et al. v. Silver et al. (*now in *Sup. Ct., Albany Co.), William Floyd Union Free School District v. State (*now in *Sup. Ct., New York Co.), Town of Brookhaven v. Silver, et al. (*now in *Sup. Ct., Albany Co.), Town of Southampton and Town of Southold v. Silver (*now in *Sup. Ct. Albany Co.), Town of Huntington v. Silver (*now in *Sup. Ct. Albany Co.), Mangano v. Silver (Sup. Ct. Nassau Co.), Town of Smithtown v. Silver (*now part of the *Mangano* case in *Sup. Ct. Nassau Co.),* and *Vanderhoef v. Silver (now in Sup. Ct. Albany Co.)*. Suffolk County, the Orange County Chamber of Commerce, and a number of additional towns, and a village have also joined the *Mangano* case as plaintiffs.

The defendants sought to change the venue of all of these cases to Albany County or New York County and venue has been changed in most of the cases. In *Mangano*, the Supreme Court, Nassau County denied defendants' motion for change of venue. An appeal of that order is proceeding and issue has not yet been joined in Supreme Court. In *Vanderhoef, Huntington*, *Floyd, Brookhaven, Southampton/Southold* and *Hampton,* the defendants moved for judgment in their favor. The plaintiffs in *Hampton* then voluntarily stipulated their case, as did the plaintiff in *Floyd* after legislative amendment of the applicable statute that exempted school districts from the "mobility tax" imposed by this statute on employers in the Metropolitan Commuter Transportation District. The Supreme Court, Albany County issued decisions granting summary judgment to defendants in *Brookhaven, Huntington* and *Southampton/Southold*. The plaintiffs in *Brookhaven* and *Huntington* have appealed from those decisions.

SCHOOL AID

In *Becker et al. v. Paterson et al. (Sup. Ct., Albany Co.),* plaintiffs seek a judgment declaring that the governor's determination to delay payment of school aid due by statute on December 15, 2009, violated State constitutional provisions related to, among other things, the separation of powers doctrine. Since the commencement of the suit, the moneys at issue were released. Following a February 3, 2010 conference with the court to discuss the status of the case, plaintiffs amended their complaint to reflect late payment of the moneys at issue. Pursuant to a Court-directed schedule, following defendants' answer, plaintiffs moved for summary judgment on March 5, 2010. Defendants cross-moved for summary judgment on April 15, 2010.

In a second case involving the parties, plaintiffs seek a judgment declaring that the governor's determination to delay payment of school aid from March 31, 2010 to June 1, 2010, also violated State constitutional provisions related to, among other things, the separation of powers doctrine. Since the commencement of the suit, the moneys at issue were also released. The defendants answered, claiming that the statute in question, Education Law §3609-a, permitted payment on June 1, 2010, and that March 31, 2010 was merely an authorized pre-payment date. Plaintiffs moved for summary judgment on July 21, 2010 and defendants responded and cross-moved for summary judgment on September 16, 2010.

On January 14, 2011, the Court issued a joint order and decision dismissing both actions as moot because of the payments made after the commencement of the actions. On February 25, 2011, plaintiffs appealed to the Appellate Division, Third Department.

In *Hussein v. State of New York*, plaintiffs seek a judgment declaring that the State's system of financing public education violates section 1 of article 11 of the State Constitution, on the ground that it fails to provide a sound basic education ("SBE"). In a decision and order dated July 21, 2009, Supreme Court, Albany County, denied the State's motion to dismiss the action. On January 13, 2011, the Appellate Division, Third Department, affirmed the denial of the motion to dismiss. On May 6, 2011, the Third Department granted defendants leave to appeal to the Court of Appeals. On September 15, 2011, the Court of Appeals placed the appeal on track for full briefing and oral argument. The argument of the appeal is scheduled for March 20, 2012.

On August 18, 2011, Supreme Court, Albany County granted the State's motion to stay all proceedings in the case until further order of the court or a decision from the Court of Appeals. The plaintiffs have filed a motion to have the stay vacated or modified to permit the continuation of depositions and the filing of a motion for partial summary judgment. In a Decision/Order dated December 6, 2011, Supreme Court, Albany County, granted plaintiffs' motion for renewal and modified the stay to the extent of permitting discovery to continue, but refused to allow plaintiffs to file a motion for partial summary judgment or any other dispositive motion. Depositions are being scheduled.

REPRESENTATIVE PAYEES

In *Weaver et ano. v. State of New York*, filed in the New York State Court of Claims on July 17, 2008 and subsequently amended, two claimants allege that the executive directors of the Office of Mental Health facilities in which the claimants were hospitalized, acting as representative payees under the Federal Social Security Act, improperly received benefits due them and improperly applied those benefits to the cost of their in-patient care and maintenance and, in the case of one of the claimants, also to the cost of her care and maintenance in a state-operated community residence.

The first named claimant initially sought benefits on her own behalf as well as certification of a class of claimants. However, the class claims were dismissed by the Court of Claims on February 10, 2010 for failure to comply with Court of Claims Act § 11(b), which provides that a claim must state when and where the claim arose, the nature of the claim, the items of damage, and the total sum claimed. By decision and order dated March 8, 2011, the Appellate Division, Second Department, affirmed the decision of the Court of Claims.

On June 4, 2010, the State moved for summary judgment against the individual claims on various grounds. By decision and order dated September 27, 2010, the Court of Claims (Ruderman, J.), granted the State's motion for summary judgment and dismissed the individual claims. The Court held that the state statutes relied on by claimants do not apply to Social Security benefits and that executive directors of OMH facilities are acting properly in accordance with the Social Security Act and applicable Federal regulations. Claimants served a notice of appeal on November 23, 2010. By decision and order dated January 17, 2012, the Appellate Division, Second Department, affirmed the decision of the Court of Claims.

SALES TAX

There are several cases challenging the State's authority to collect taxes on cigarettes sold on Indian reservations.

In *Oneida Indian Nation of New York v. Paterson, et al.* (and four consolidated cases), the tribal plaintiffs seek judgments declaring that Chapters 134 and 136 of the Laws of 2010, which enacted amendments to the Tax Law regarding collection of excise taxes on reservation cigarette sales to non-tribal members, violate their rights under Federal law, and enjoining the State from enforcing those laws. In four of the five cases, the District Court for the Western District of New York denied plaintiffs' motions for preliminary injunctions but granted a stay of enforcement pending plaintiffs' appeal. In the fifth case, the District Court for the Northern District of New York granted the plaintiff's motion for a preliminary injunction. On May 9, 2011, the Second Circuit Court of Appeals affirmed the Western District's orders denying the plaintiffs' motions for preliminary injunctions, and vacated the Northern District's order granting the motion for a preliminary injunction, vacated all stays pending appeal, and remanded the cases to the District Courts for further proceedings consistent with the Court's opinion. The State has moved for summary judgment in the Northern and Western District cases. The plaintiffs have moved for voluntary dismissal without prejudice in these cases. The motions were taken on submission in the Northern District on November 25, 2011 and argued in the Western District on December 20, 2011. On January 9, 2012, the District Court for the Northern District of New York granted plaintiff's motion for voluntary dismissal without prejudice and denied the State defendants' motion for summary judgment as moot.

In *Day Wholesale Inc., et al. v. State, et al. (Sup. Ct., Erie Co.)*, plaintiffs also seek to enjoin the collection of taxes on cigarettes sold to or by reservation retailers. On August 31, 2010, the Supreme Court, Erie County issued an order vacating two earlier preliminary injunctions of that court barring the collection of such taxes until defendants had taken certain steps to comply with prior law. The Court also denied plaintiffs' motion for a preliminary injunction enjoining enforcement of the provisions of Chapters 134 and 186 of the Laws of 2010.

The plaintiffs in *Day Wholesale* appealed. On September 14, 2010 the Appellate Division, Fourth Department denied plaintiffs' motion for a preliminary injunction pending appeal. Pursuant to the rules of the Appellate Division, Fourth Department, the appeal is deemed abandoned because plaintiffs failed to perfect the appeal within nine months of the filing of the notice of appeal. The State is seeking a formal discontinuation of this action.

On February 10, 2011, the Seneca Nation of Indians commenced *Seneca Nation of Indians v. State of New York, et al.,* in Supreme Court, Erie County, challenging the promulgation of regulations to implement the statutory voucher system intended to enable the State to collect taxes on certain sales of cigarettes on Indian reservations. Plaintiffs seek declaratory judgment that the regulations are void and temporary and permanent injunctions against enforcing both the regulations and the statutory provisions authorizing the voucher system. On June 8, 2011, Supreme Court, Erie County, issued an order granting defendants' motion for summary judgment and dismissing the complaint. On November 18, 2011, the Appellate Division, Fourth Department, affirmed. Plaintiff's motion for leave to appeal to the Court of Appeals is pending in that Court.

In July 2011, plaintiffs commenced *Akwesasne Convenience Store Association et al. v. State of New York,* in Supreme Court, Erie County, against the State of New York and other defendants, seeking a declaration that the statutory voucher system impermissibly burdens Indian commerce and is preempted by Federal law and further seeking to enjoin the implementation, administration or enforcement of the system. The court denied plaintiffs' request for a temporary restraining order and, by decision dated August 18, 2011, also denied plaintiffs' subsequent motion for a preliminary injunction. Plaintiffs appealed to the Appellate Division, Fourth Department, which denied plaintiffs' motion for a preliminary injunction pending appeal on September 14, 2011. The appeal is pending. Defendants have filed a motion for summary judgment returnable February 16, 2012.

CIVIL SERVICE LITIGATION

In *Simpson v. New York State Department of Civil Service et ano.,* plaintiffs have brought a class action under 42 U.S.C 2000d et seq., claiming that a civil service test administered between 1996 and 2006 resulted in a disparate impact upon the class. This case was settled on December 29, 2010, for $45 million in damages and fees, payable in four equal annual installments, starting on or about April 1, 2011 or upon passage of the State budget. The settlement was approved following an April 15, 2011 fairness hearing and payment of the first installment of the settlement proceeds is in process.

PUBLIC FINANCE

In *Bordeleau et al. v. State of New York, et al.,* a group of 50 individuals filed a complaint in the Supreme Court, Albany County, asking the court to enjoin certain expenditures of State funds and declare them to be illegal under the New York State Constitution. In particular, the plaintiffs claim that the State budget appropriates funds for grants to private corporations, allegedly in violation of Article VII, § 8, paragraph 1 of the Constitution, which provides that "money of the state shall not be given or loaned to or in aid of any private corporation or association, or private undertaking", except for certain specified exceptions. The plaintiffs also claim that because the State budget provides, in part, that some appropriated funds will be used "in accordance with a memorandum of understanding entered into between the governor, majority leader of the senate and the speaker of the assembly, or their designees", the Senate and Assembly have "improperly delegated their legislative powers" in violation of Article VII, § 7, which provides that every law making an appropriation "shall distinctly specify the sum appropriated, and the object or purpose to which it is to be applied".

In addition to the State defendants, the complaint names as defendants certain public authorities and private corporations that are claimed to be recipients of the allegedly illegal appropriations. The State defendants and several other defendants moved to dismiss the complaint for failure to state a cause of action, for failure to join certain necessary parties, and for lack of a justiciable controversy. In a decision and order dated February 27, 2009, Supreme Court, Albany County, granted the motion to dismiss the complaint, finding no violation of either Article VII, § 7, or Article VII, § 8. The court concluded that the challenged appropriations were valid expenditures for public purposes and not "gifts" prohibited under Article VII, § 8. The court also rejected the appellant's challenge to the reference in the budget to a memorandum of understanding, relying on that Court's holding in *Saxton v. Carey*, 44 N.Y.2d 545 (1978), that the degree of itemization required under Article VII, § 7 is to be determined by the Legislature, not the courts.

The plaintiffs appealed from the dismissal of their complaint. On June 24, 2010, the Appellate Division reversed the order of Supreme Court to the extent it dismissed the plaintiffs' cause of action under Article VII, § 8 and affirmed the order to the extent it dismissed the plaintiffs' cause of action under Article VII, § 7, and remitted the case to Supreme Court for further proceedings. The defendants moved for reargument or, in the alternative, leave to appeal to the Court of Appeals from the portion of the Appellate Division's order that reversed Supreme Court's dismissal of the cause of action under Article VII, § 8. The Appellate Division denied reargument but granted leave to appeal to the Court of Appeals on the question of whether the Appellate Division erred by reversing the dismissal of the plaintiffs' cause of action under Article VII, § 8.

By opinion dated November 21, 2011, the Court of Appeals reversed the Appellate Division and dismissed the cause of action under Article VII, § 8. A motion by the plaintiffs for reargument of the Court's decision is pending.

PERSONAL INJURY CLAIMS

In *Watson v. State* (Court of Claims) claimants seek damages arising out of a motor vehicle accident in which four members of a family were injured. On February 2, 2010, the Court of Claims granted summary judgment on the issue of liability to claimants. Pursuant to negotiations among the parties, all claims were settled on February 8, 2011 for a total of $19 million. The settlement process is completed and the case is closed.

EMINENT DOMAIN

In *Gyrodyne Company of America, Inc. v. State of New York* (Court of Claims), claimant seeks compensation under the Eminent Domain Procedures Law in connection with the appropriation by the State of 245 acres of land in connection with the expansion of SUNY Stony Brook. By decision dated June 21, 2010, the Court of Claims awarded claimant $125 million as compensation for the appropriation. On September 13, 2010, the State appealed from the decision. In a decision dated November 22, 2011, the Appellate Division, Second Department, affirmed the decision of the Court of Claims. The State's motion for reargument or, in the alternative, leave to appeal to the Court of Appeals, is pending.

INSURANCE DEPARTMENT ASSESSMENTS

In New *York Insurance Association, Inc. v. State (Sup. Ct., Albany Co.)*, several insurance companies and an association of insurance companies seek a declaration that certain assessments issued against the plaintiff insurance companies by the Insurance Department pursuant to Insurance Law § 332 violate the Insurance Law and the State and Federal Constitutions to the extent that the assessments include amounts for items that are not direct expenses of the Insurance Department. The State filed its answer on May 4, 2010. On June 9, 2010, the State filed a motion for summary judgment. By decision dated March 10, 2011, plaintiffs' motion for permission to conduct discovery prior to responding to the State's motion for summary judgment was granted. Plaintiffs have since filed an amended complaint adding challenges to assessments issued after the commencement of this action and the State has withdrawn its motion for summary judgment without prejudice. The State has filed its answer to the amended complaint and is engaged in the discovery process.

TOBACCO MASTER SETTLEMENT AGREEMENT (MSA)

In 1998, the attorneys general of 46 states, including New York, and several territories (collectively the "Settling States") and the then four largest United States tobacco manufacturers (the "Original Participating Manufacturers" or "OPMs"), entered into a Master Settlement Agreement (the "MSA") to resolve cigarette smoking-related litigation between the Settling States and the OPMs. Approximately 30 additional tobacco companies have entered into the settlement (the "Subsequent Participating Manufacturers" or "SPMs"; together they are the "Participating Manufacturers" or "PMs"). The MSA released the PMs from past and present smoking-related claims by the Settling States, and provided for a continuing release of future smoking-related claims, in exchange for certain payments to be made to the

Settling States, and the imposition of certain tobacco advertising and marketing restrictions among other things.

LITIGATION

Two actions have been filed in New York by parties challenging the MSA and portions of laws enacted by the State under the MSA. In *Freedom Holdings Inc. et al. v. Spitzer et ano.* (SDNY), two cigarette importers alleged (1) violation of the Commerce Clause of the United States Constitution, (2) the establishment of an "output cartel" in conflict with the Sherman Act, (3) selective nonenforcement of the laws on Native American reservations in violation of the Equal Protection Clause of the United States Constitution, and (4) federal preemption. The Second Circuit affirmed the dismissal of this action and the United States Supreme Court denied certiorari to review that decision. Accordingly, this action is concluded.

In *Grand River Ent. v. King* (SDNY), another cigarette importer raised the same claims as those brought in *Freedom Holdings,* as well as additional claims, in an action against the attorneys general of thirty states, including New York. On March 22, 2011, the District Court denied plaintiff's motion for summary judgment and granted defendants' motions for summary judgment dismissing the complaint. Plaintiff has moved before the District Court to amend the Findings and Judgment pursuant to FRCP59(e) and has also appealed from the District Court's decision to the Second Circuit Court of Appeals. On January 30, 2012, the District Court denied Plaintiff's motion to amend the Court's findings.

ARBITRATION

The Participating Manufacturers have also brought a nationwide arbitration proceeding against the Settling States (excluding Montana). The MSA provides that each year, in perpetuity, the PMs pay the Settling States a base payment, subject to certain adjustments, to compensate for financial harm suffered by the Settling States due to smoking-related illness. In order to keep the base payment under the MSA, each Settling State must pass and diligently enforce a statute that requires tobacco manufacturers who are not party to the MSA ("Non-Participating Manufacturers" or "NPMs") to deposit in escrow an amount roughly equal to the amount that PMs pay per pack sold. New York's allocable share of the total base payment is approximately 12.8 percent of the total, or approximately $800 million annually.

The arbitration proceeding brought by the PMs asserts that the Settling States involved failed to diligently enforce their escrow statutes in 2003. The PMs seek a downward adjustment of the payment due in that year (an "NPM Adjustment") which would serve as a credit against future payments. Any such claim for NPM Adjustment for years prior to 2003 was settled in 2003. The PMs have raised the same claim for years 2004-2006, but none of those years is yet in arbitration.

The arbitration panel has thus far ruled, among other things, that the Settling States involved have the burden of proof in establishing diligent enforcement of the escrow statutes and that the 2003 settlement of prior NPM Adjustment claims does not preclude the PMs from basing their claim for a 2003 NPM Adjustment on 2002 NPM sales. A hearing on issues common to all states will take place in Chicago in April 2012. State-specific hearings will commence in May, with the hearings involving Missouri and Illinois. New York's diligent enforcement hearing will take place in June 2012. State-specific hearings are scheduled for two weeks each month until June 2013.

CASH FINANCIAL PLAN
GENERAL FUND
ANNUAL CHANGE
(millions of dollars)

	FY 2011 Results	FY 2012 Current	Annual $ Change	Annual % Change
Opening Fund Balance	2,302	1,376	(926)	-40.2%
Receipts:				
Taxes:				
Personal Income Tax	23,894	25,705	1,811	7.6%
User Taxes and Fees	8,795	9,135	340	3.9%
Business Taxes	5,279	5,868	589	11.2%
Other Taxes	1,237	1,212	(25)	-2.0%
Miscellaneous Receipts	3,095	3,244	149	4.8%
Federal Receipts	54	60	6	11.1%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	7,625	8,069	444	5.8%
Sales Tax in Excess of LGAC Debt Service	2,351	2,430	79	3.4%
Real Estate Taxes in Excess of CW/CA Debt Service	348	397	49	14.1%
All Other Transfers	1,769	1,094	(675)	-38.2%
Total Receipts	54,447	57,214	2,767	5.1%
Disbursements:				
Local Assistance Grants	37,206	38,515	1,309	3.5%
Departmental Operations:				
Personal Service	6,151	5,770	(381)	-6.2%
Non-Personal Service	1,822	1,795	(27)	-1.5%
General State Charges	4,187	4,707	520	12.4%
Transfers to Other Funds:				
Debt Service	1,737	1,539	(198)	-11.4%
Capital Projects	932	790	(142)	-15.2%
State Share Medicaid	2,497	2,912	415	16.6%
SUNY Operations	0	0	0	0.0%
Other Purposes	841	887	46	5.5%
Total Disbursements	55,373	56,915	1,542	2.8%
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(926)	299	1,225	-132.3%
Closing Fund Balance	1,376	1,675	299	21.7%
Statutory Reserves				
Tax Stabilization Reserve Fund	1,031	1,031	0	
Rainy Day Reserve Fund	175	275	100	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	136	51	(85)	
Reserved For				
Prior-Year Labor Agreements (2007-2011)	0	284	284	
Debt Management	13	13	0	

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
FY 2013 through FY 2016
(millions of dollars)

	FY 2013 Proposed	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Receipts:				
Taxes:				
Personal Income Tax	26,911	28,803	29,582	30,566
User Taxes and Fees	9,341	9,706	10,123	10,487
Business Taxes	5,977	6,213	5,718	6,291
Other Taxes	1,144	1,137	1,222	1,222
Miscellaneous Receipts	3,069	2,636	2,243	2,336
Federal Receipts	60	2	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,284	8,820	8,986	9,194
Sales Tax in Excess of LGAC Debt Service	2,466	2,590	2,717	2,843
Real Estate Taxes in Excess of CW/CA Debt Service	474	560	636	711
All Other Transfers	989	878	786	776
Total Receipts	58,715	61,345	62,013	64,426
Disbursements:				
Local Assistance Grants	39,403	41,393	42,877	45,107
Departmental Operations:				
Personal Service	5,729	5,362	5,473	5,731
Non-personal Service	1,859	1,612	1,677	1,793
General State Charges	4,434	4,823	5,168	5,459
Transfers to Other Funds:				
Debt Service	1,610	1,681	1,611	1,585
Capital Projects	1,079	1,278	1,403	1,298
State Share Medicaid	2,903	2,697	2,551	2,451
SUNY Operations	390	976	995	1,015
Other Purposes	1,185	2,104	3,099	3,576
Total Disbursements	58,592	61,926	64,854	68,015
Reserves:				
Community Projects Fund	(51)	0	0	0
Rainy Day Reserve Fund	0	0	0	0
Prior-Year Labor Agreements (2007-2011)	174	134	133	132
Increase (Decrease) in Reserves	123	134	133	132
Excess (Deficiency) of Receipts Over Disbursements and Reserves	0	(715)	(2,974)	(3,721)

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
FY 2012
(millions of dollars)

	Mid-Year	Change	Executive
Opening fund balance	1,376	0	1,376
Receipts:			
Taxes:			
Personal Income Tax	25,870	(165)	25,705
User Taxes and Fees	9,056	79	9,135
Business Taxes	5,868	0	5,868
Other Taxes	1,092	120	1,212
Miscellaneous Receipts	3,152	92	3,244
Federal Receipts	60	0	60
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	8,056	13	8,069
Sales Tax in Excess of LGAC Debt Service	2,394	36	2,430
Real Estate Taxes in Excess of CW/CA Debt Service	395	2	397
All Other	923	171	1,094
Total Receipts	56,866	348	57,214
Disbursements:			
Local Assistance Grants	38,721	(206)	38,515
State Operations:			
Personal Service	5,713	57	5,770
Non-Personal Service	1,749	46	1,795
General State Charges	4,704	3	4,707
Transfers to Other Funds:			
Debt Service	1,455	84	1,539
Capital Projects	778	12	790
State Share Medicaid	2,910	2	2,912
SUNY Operations	0	0	0
Other Purposes	825	62	887
Total Disbursements	56,855	60	56,915
Reserves:			
Community Projects Fund	(85)	0	(85)
Rainy Day Reserve Fund	100	0	100
Prior-Year Labor Agreements (2007-2011)	346	(62)	284
Increase (Decrease) in Reserves	361	(62)	299
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(350)	350	0

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
FY 2013
(millions of dollars)

	Mid-Year	Change	Executive
Receipts:			
Taxes:			
Personal Income Tax	25,619	1,292	26,911
User Taxes and Fees	9,288	53	9,341
Business Taxes	6,208	(231)	5,977
Other Taxes	1,087	57	1,144
Miscellaneous Receipts	3,024	45	3,069
Federal Receipts	60	0	60
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	7,800	484	8,284
Sales Tax in Excess of LGAC Debt Service	2,450	16	2,466
Real Estate Taxes in Excess of CW/CA Debt Service	471	3	474
All Other	628	361	989
Total Receipts	56,635	2,080	58,715
Disbursements:			
Local Assistance Grants	39,955	(552)	39,403
Departmental Operations:			
Personal Service	5,674	55	5,729
Non-Personal Service	1,995	(136)	1,859
General State Charges	5,093	(659)	4,434
Transfers to Other Funds:			
Debt Service	1,722	(112)	1,610
Capital Projects	1,126	(47)	1,079
State Share Medicaid	2,903	0	2,903
SUNY Operations	390	0	390
Other Purposes	936	249	1,185
Total Disbursements	59,794	(1,202)	58,592
Reserves:			
Community Projects Fund	(51)	0	(51)
Prior-Year Labor Agreements (2007-2011)	142	32	174
Increase (Decrease) in Reserves	91	32	123
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(3,250)	3,250	0

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
FY 2014
(millions of dollars)

	Mid-Year	Change	Executive
Receipts:			
Taxes:			
Personal Income Tax	27,333	1,470	28,803
User Taxes and Fees	9,681	25	9,706
Business Taxes	6,497	(284)	6,213
Other Taxes	1,147	(10)	1,137
Miscellaneous Receipts	2,583	53	2,636
Federal Receipts	60	(58)	2
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	8,309	511	8,820
Sales Tax in Excess of LGAC Debt Service	2,592	(2)	2,590
Real Estate Taxes in Excess of CW/CA Debt Service	557	3	560
All Other	586	292	878
Total Receipts	59,345	2,000	61,345
Disbursements:			
Local Assistance Grants	41,665	(272)	41,393
Departmental Operations:			
Personal Service	5,368	(6)	5,362
Non-Personal Service	1,677	(65)	1,612
General State Charges	5,456	(633)	4,823
Transfers to Other Funds:			
Debt Service	1,696	(15)	1,681
Capital Projects	1,323	(45)	1,278
State Share Medicaid	2,796	(99)	2,697
SUNY Operations	976	0	976
Other Purposes	1,520	584	2,104
Total Disbursements	62,477	(551)	61,926
Reserves:			
Community Projects Fund	0	0	0
Prior-Year Labor Agreements (2007-2011)	142	(8)	134
Increase (Decrease) in Reserves	142	(8)	134
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(3,274)	2,559	(715)

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
FY 2015
(millions of dollars)

	Mid-Year	Change	Executive
Receipts:			
Taxes:			
Personal Income Tax	28,623	959	29,582
User Taxes and Fees	10,099	24	10,123
Business Taxes	5,952	(234)	5,718
Other Taxes	1,212	10	1,222
Miscellaneous Receipts	2,122	121	2,243
Federal Receipts	60	(60)	0
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	8,673	313	8,986
Sales Tax in Excess of LGAC Debt Service	2,724	(7)	2,717
Real Estate Taxes in Excess of CW/CA Debt Service	634	2	636
All Other	602	184	786
Total Receipts	60,701	1,312	62,013
Disbursements:			
Local Assistance Grants	43,352	(475)	42,877
Departmental Operations:			
Personal Service	5,517	(44)	5,473
Non-Personal Service	1,798	(121)	1,677
General State Charges	5,623	(455)	5,168
Transfers to Other Funds:			
Debt Service	1,614	(3)	1,611
Capital Projects	1,419	(16)	1,403
State Share Medicaid	2,750	(199)	2,551
SUNY Operations	995	0	995
Other Purposes	2,289	810	3,099
Total Disbursements	65,357	(503)	64,854
Reserves:			
Community Projects Fund	0	0	0
Prior-Year Labor Agreements (2007-2011)	142	(9)	133
Increase (Decrease) in Reserves	142	(9)	133
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(4,798)	1,824	(2,974)

Source: NYS DOB

CASH RECEIPTS
CURRENT STATE RECEIPTS
GENERAL FUND
FY 2013 THROUGH FY 2016
(millions of dollars)

	FY 2013 Proposed	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Taxes:				
Withholdings	32,598	34,667	36,032	37,947
Estimated Payments	12,212	13,063	13,702	13,560
Final Payments	2,203	2,170	2,167	2,267
Other Payments	1,104	1,136	1,238	1,288
Gross Collections	48,117	51,036	53,139	55,062
State/City Offset	(298)	(198)	(148)	(148)
Refunds	(7,508)	(7,760)	(8,631)	(9,106)
Reported Tax Collections	40,311	43,078	44,360	45,808
STAR (Dedicated Deposits)	(3,322)	(3,505)	(3,688)	(3,790)
RBTF (Dedicated Transfers)	(10,078)	(10,770)	(11,090)	(11,452)
Personal Income Tax	26,911	28,803	29,582	30,566
Sales and Use Tax	11,455	11,937	12,496	12,992
Cigarette and Tobacco Taxes	511	510	503	495
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	238	242	247	247
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	12,204	12,689	13,246	13,734
LGAC Sales Tax (Dedicated Transfers)	(2,863)	(2,983)	(3,123)	(3,247)
User Taxes and Fees	9,341	9,706	10,123	10,487
Corporation Franchise Tax	2,844	3,024	2,335	2,736
Corporation and Utilities Tax	682	706	730	757
Insurance Taxes	1,322	1,383	1,422	1,491
Bank Tax	1,129	1,100	1,231	1,307
Petroleum Business Tax	0	0	0	0
Business Taxes	5,977	6,213	5,718	6,291
Estate Tax	1,127	1,120	1,205	1,205
Real Estate Transfer Tax	690	770	840	915
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	16	16	16	16
Other Taxes	1	1	1	1
Gross Other Taxes	1,834	1,907	2,062	2,137
Real Estate Transfer Tax (Dedicated)	(690)	(770)	(840)	(915)
Other Taxes	1,144	1,137	1,222	1,222
Payroll Tax	0	0	0	0
Total Taxes	43,373	45,859	46,645	48,566
Licenses, Fees, Etc.	661	606	594	585
Abandoned Property	785	670	655	655
Motor Vehicle Fees	99	26	26	26
ABC License Fee	51	50	50	50
Reimbursements	202	202	202	202
Investment Income	10	30	30	30
Other Transactions	1,261	1,052	686	788
Miscellaneous Receipts	3,069	2,636	2,243	2,336
Federal Grants	60	2	0	0
Total	46,502	48,497	48,888	50,902

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	1,376	2,139	454	3,969
Receipts:				
Taxes	41,920	8,303	12,976	63,199
Miscellaneous Receipts	3,244	15,147	949	19,340
Federal Receipts	60	1	79	140
Total Receipts	45,224	23,451	14,004	82,679
Disbursements:				
Local Assistance Grants	38,515	19,033	0	57,548
Departmental Operations:				
Personal Service	5,770	6,106	0	11,876
Non-Personal Service	1,795	3,355	61	5,211
General State Charges	4,707	1,829	0	6,536
Debt Service	0	0	5,872	5,872
Capital Projects	0	5	0	5
Total Disbursements	50,787	30,328	5,933	87,048
Other Financing Sources (Uses):				
Transfers from Other Funds	11,990	7,251	6,505	25,746
Transfers to Other Funds	(6,128)	(613)	(14,481)	(21,222)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	5,862	6,638	(7,976)	4,524
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	299	(239)	95	155
Closing Fund Balance	1,675	1,900	549	4,124
Designated General Fund Reserves:				
Reserve for Collective Bargaining	(284)			
Reserve for Community Projects Fund	85			
Rainy Day Fund	(100)			
Net Designated General Fund Reserves	(299)			

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	43,373	8,247	13,512	65,132
Miscellaneous Receipts	3,069	15,954	996	20,019
Federal Receipts	60	1	79	140
Total Receipts	46,502	24,202	14,587	85,291
Disbursements:				
Local Assistance Grants	39,403	19,657	0	59,060
Departmental Operations:				
Personal Service	5,729	6,236	0	11,965
Non-Personal Service	1,859	3,261	47	5,167
General State Charges	4,434	1,954	0	6,388
Debt Service	0	0	6,149	6,149
Capital Projects	0	5	0	5
Total Disbursements	51,425	31,113	6,196	88,734
Other Financing Sources (Uses):				
Transfers from Other Funds	12,213	7,711	6,295	26,219
Transfers to Other Funds	(7,167)	(399)	(14,609)	(22,175)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	5,046	7,312	(8,314)	4,044
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	123	401	77	601
Designated General Fund Reserves:				
Reserve for Collective Bargaining	(174)			
Reserve for Community Projects Fund	51			
Net Designated General Fund Reserves	(123)			

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	45,859	8,569	14,404	68,832
Miscellaneous Receipts	2,636	16,366	1,043	20,045
Federal Receipts	2	1	79	82
Total Receipts	48,497	24,936	15,526	88,959
Disbursements:				
Local Assistance Grants	41,393	20,442	0	61,835
Departmental Operations:				
Personal Service	5,362	6,837	0	12,199
Non-Personal Service	1,612	3,527	47	5,186
General State Charges	4,823	2,094	0	6,917
Debt Service	0	0	6,449	6,449
Capital Projects	0	5	0	5
Total Disbursements	53,190	32,905	6,496	92,591
Other Financing Sources (Uses):				
Transfers from Other Funds	12,848	8,726	6,155	27,729
Transfers to Other Funds	(8,736)	(208)	(15,108)	(24,052)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	4,112	8,518	(8,953)	3,677
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(581)	549	77	45
Designated General Fund Reserves:				
Reserve for Collective Bargaining	(134)			
Net Designated General Fund Reserves	(134)			

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2015
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	46,645	8,931	14,934	70,510
Miscellaneous Receipts	2,243	16,636	1,064	19,943
Federal Receipts	0	1	79	80
Total Receipts	48,888	25,568	16,077	90,533
Disbursements:				
Local Assistance Grants	42,877	21,064	0	63,941
Departmental Operations:				
Personal Service	5,473	7,049	0	12,522
Non-Personal Service	1,677	3,627	47	5,351
General State Charges	5,168	2,260	0	7,428
Debt Service	0	0	6,568	6,568
Capital Projects	0	5	0	5
Total Disbursements	55,195	34,005	6,615	95,815
Other Financing Sources (Uses):				
Transfers from Other Funds	13,125	9,056	5,654	27,835
Transfers to Other Funds	(9,659)	(61)	(15,001)	(24,721)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	3,466	8,995	(9,347)	3,114
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,841)	558	115	(2,168)
Designated General Fund Reserves:				
Reserve for Collective Bargaining	(133)			
Net Designated General Fund Reserves	(133)			

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	1,376	2,149	(167)	454	3,812
Receipts:					
Taxes	41,920	8,303	1,333	12,976	64,532
Miscellaneous Receipts	3,244	15,279	4,360	949	23,832
Federal Receipts	60	41,601	2,202	79	43,942
Total Receipts	45,224	65,183	7,895	14,004	132,306
Disbursements:					
Local Assistance Grants	38,515	54,743	2,564	0	95,822
Departmental Operations:					
Personal Service	5,770	6,749	0	0	12,519
Non-Personal Service	1,795	4,314	0	61	6,170
General State Charges	4,707	2,126	0	0	6,833
Debt Service	0	0	0	5,872	5,872
Capital Projects	0	5	5,514	0	5,519
Total Disbursements	50,787	67,937	8,078	5,933	132,735
Other financing sources (Uses):					
Transfers from Other Funds	11,990	7,252	1,050	6,505	26,797
Transfers to Other Funds	(6,128)	(4,738)	(1,439)	(14,481)	(26,786)
Bond and Note Proceeds	0	0	475	0	475
Net Other Financing Sources (Uses)	5,862	2,514	86	(7,976)	486
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	299	(240)	(97)	95	57
Closing Fund Balance	1,675	1,909	(264)	549	3,869
Designated General Fund Reserves:					
Reserve for Collective Bargaining	(284)				
Reserve for Community Projects Fund	85				
Rainy Day Fund	(100)				
Net Designated General Fund Reserves	(299)				

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	43,373	8,247	1,401	13,512	66,533
Miscellaneous Receipts	3,069	16,085	4,105	996	24,255
Federal Receipts	60	39,712	2,085	79	41,936
Total Receipts	46,502	64,044	7,591	14,587	132,724
Disbursements:					
Local Assistance Grants	39,403	53,787	1,995	0	95,185
Departmental Operations:					
Personal Service	5,729	6,837	0	0	12,566
Non-Personal Service	1,859	4,148	0	47	6,054
General State Charges	4,434	2,268	0	0	6,702
Debt Service	0	0	0	6,149	6,149
Capital Projects	0	5	5,849	0	5,854
Total Disbursements	51,425	67,045	7,844	6,196	132,510
Other Financing Sources (Uses):					
Transfers from Other Funds	12,213	7,712	1,352	6,295	27,572
Transfers to Other Funds	(7,167)	(4,309)	(1,496)	(14,609)	(27,581)
Bond and Note Proceeds	0	0	400	0	400
Net Other Financing Sources (Uses)	5,046	3,403	256	(8,314)	391
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	123	402	3	77	605
Designated General Fund Reserves:					
Reserve for Collective Bargaining	(174)				
Reserve for Community Projects Fund	51				
Net Designated General Fund Reserves	(123)				

Source: NYS DOB

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2014
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	45,859	8,569	1,421	14,404	70,253
Miscellaneous Receipts	2,636	16,497	3,982	1,043	24,158
Federal Receipts	2	41,305	2,152	79	43,538
Total Receipts	48,497	66,371	7,555	15,526	137,949
Disbursements:					
Local Assistance Grants	41,393	56,328	1,956	0	99,677
Departmental Operations:					
Personal Service	5,362	7,431	0	0	12,793
Non-Personal Service	1,612	4,478	0	47	6,137
General State Charges	4,823	2,414	0	0	7,237
Debt Service	0	0	0	6,449	6,449
Capital Projects	0	5	5,735	0	5,740
Total Disbursements	53,190	70,656	7,691	6,496	138,033
Other Financing Sources (Uses):					
Transfers from Other Funds	12,848	8,727	1,475	6,155	29,205
Transfers to Other Funds	(8,736)	(3,892)	(1,547)	(15,108)	(29,283)
Bond and Note Proceeds	0	0	338	0	338
Net Other Financing Sources (Uses)	4,112	4,835	266	(8,953)	260
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(581)	550	130	77	176
Designated General Fund Reserves:					
Reserve for Collective Bargaining	(134)				
Net Designated General Fund Reserves	(134)				

Source: NYS DOB

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2015
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	46,645	8,931	1,431	14,934	71,941
Miscellaneous Receipts	2,243	16,767	3,813	1,064	23,887
Federal Receipts	0	44,571	1,971	79	46,621
Total Receipts	48,888	70,269	7,215	16,077	142,449
Disbursements:					
Local Assistance Grants	42,877	60,834	1,883	0	105,594
Departmental Operations:					
Personal Service	5,473	7,655	0	0	13,128
Non-Personal Service	1,677	4,520	0	47	6,244
General State Charges	5,168	2,587	0	0	7,755
Debt Service	0	0	0	6,568	6,568
Capital Projects	0	5	5,572	0	5,577
Total Disbursements	55,195	75,601	7,455	6,615	144,866
Other Financing Sources (Uses):					
Transfers from Other Funds	13,125	9,057	1,467	5,654	29,303
Transfers to Other Funds	(9,659)	(3,166)	(1,530)	(15,001)	(29,356)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	3,466	5,891	243	(9,347)	253
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,841)	559	3	115	(2,164)
Designated General Fund Reserves:					
Reserve for Collective Bargaining	133				
Net Designated General Fund Reserves	133				

Source: NYS DOB

CASHFLOW
GENERAL FUND
FY 2012
(dollars in millions)

	2011 April Results	May Results	June Results	July Results	August Results	September Results	October Results	November Results	December Results	2012 January Projected	February Projected	March Projected	Total
OPENING BALANCE	1,376	4,510	1,809	2,492	1,884	1,571	4,948	3,394	3,264	2,315	6,271	6,310	1,376
RECEIPTS:													
Personal Income Tax	4,153	1,072	2,610	1,661	1,817	2,689	1,540	1,561	179	4,849	1,929	1,645	25,705
User Taxes and Fees	689	667	892	716	688	881	698	689	915	735	626	939	9,135
Business Taxes	161	28	1,173	(36)	43	1,022	58	110	1,163	112	199	1,835	5,868
Other Taxes	65	132	74	88	109	119	98	106	78	114	114	115	1,212
Total Taxes	5,068	1,899	4,749	2,429	2,657	4,711	2,394	2,466	2,335	5,810	2,868	4,534	41,920
Licenses, Fees, etc.	46	64	56	29	47	85	28	48	106	43	44	24	620
Abandoned Property	1	0	39	32	18	77	23	322	12	42	40	149	755
ABC License Fee	5	5	6	5	5	6	5	5	4	4	4	1	55
Motor vehicle fees	0	0	13	(13)	0	0	0	20	13	19	21	39	112
Reimbursements	4	7	56	2	18	36	10	26	15	10	13	25	222
Investment Income	1	0	1	1	0	0	0	0	0	1	2	4	10
Other Transactions	21	16	146	59	34	301	80	37	88	44	71	573	1,470
Total Miscellaneous Receipts	78	92	317	115	122	505	146	458	238	163	195	815	3,244
Federal Grants	2	13	0	0	0	17	0	0	15	0	0	13	60
PIT in Excess of Revenue Bond Debt Service	1,385	211	1,000	491	251	1,092	268	234	949	942	347	899	8,069
Sales Tax in Excess of LGAC Debt Service	201	98	378	215	136	281	212	209	285	225	4	186	2,430
Real Estate Taxes in Excess of CW/CA Debt Service	38	41	19	42	66	34	34	23	27	23	21	29	397
All Other	96	2	17	12	11	10	25	8	10	24	87	792	1,094
Total Transfers from Other Funds	1,720	352	1,414	760	464	1,417	539	474	1,271	1,214	459	1,906	11,990
TOTAL RECEIPTS	6,868	2,356	6,480	3,304	3,243	6,650	3,079	3,398	3,859	7,187	3,522	7,268	57,214
DISBURSEMENTS:													
School Aid	233	2,579	1,894	145	544	1,207	597	911	1,473	270	465	6,475	16,793
Higher Education	32	19	525	129	341	51	449	31	191	47	313	461	2,589
All Other Education	23	21	223	266	42	31	230	64	162	273	175	197	1,707
Medicaid - DOH	962	904	983	1,327	691	300	1,306	1,310	649	645	933	258	10,268
Public Health	15	18	41	37	155	39	48	36	58	43	66	109	665
Mental Hygiene	19	2	387	3	6	545	15	1	479	5	148	292	1,902
Children and Families	8	114	230	67	71	44	254	78	62	180	77	411	1,596
Temporary & Disability Assistance	326	63	65	166	191	65	91	76	74	77	18	191	1,403
Transportation	0	24	0	0	24	0	0	25	15	0	10	1	99
Unrestricted Aid	1	12	294	0	3	91	9	0	204	0	0	144	758
All Other	(30)	16	190	21	41	30	24	(10)	54	66	68	265	735
Total Local Assistance Grants	1,589	3,772	4,832	2,161	2,109	2,403	3,023	2,522	3,421	1,606	2,273	8,804	38,515
Personal Service	602	525	598	554	667	356	370	404	556	297	518	323	5,770
Non-Personal Service	199	125	90	143	165	118	90	109	154	184	187	231	1,795
Total State Operations	801	650	688	697	832	474	460	513	710	481	705	554	7,565
General State Charges	404	322	119	419	241	248	358	72	323	296	184	1,721	4,707
Debt Service	522	22	(129)	376	38	(111)	469	(2)	(4)	518	(18)	(142)	1,539
Capital Projects	(23)	52	52	16	64	(12)	36	46	51	29	85	394	790
State Share Medicaid	273	202	206	217	244	205	196	265	248	275	237	344	2,912
SUNY Operations	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Purposes	168	37	29	26	28	66	91	112	59	26	17	228	887
Total Transfers to Other Funds	940	313	158	635	374	148	792	421	354	848	321	824	6,128
TOTAL DISBURSEMENTS	3,734	5,057	5,797	3,912	3,556	3,273	4,633	3,528	4,808	3,231	3,483	11,903	56,915
Excess/(Deficiency) of Receipts over Disbursements	3,134	(2,701)	683	(608)	(313)	3,377	(1,554)	(130)	(949)	3,956	39	(4,635)	299
CLOSING BALANCE	4,510	1,809	2,492	1,884	1,571	4,948	3,394	3,264	2,315	6,271	6,310	1,675	1,675
Reserves:													
Community Projects Fund	0	0	0	0	0	0	0	0	0	0	0	(85)	(85)
Rainy Day Reserve Fund	0	0	0	0	0	0	0	0	0	0	0	100	100
Prior-Year Labor Agreements (2007-2011)	0	0	0	0	0	0	0	0	0	0	0	284	284
TOTAL RESERVES	0	0	0	0	0	0	0	0	0	0	0	299	299
Excess/(Deficiency) of Receipts over Disbursements after Reserves	3,134	(2,701)	683	(608)	(313)	3,377	(1,554)	(130)	(949)	3,956	39	(4,934)	0
CLOSING BALANCE WITH RESERVES	4,510	1,809	2,492	1,884	1,571	4,948	3,394	3,264	2,315	6,271	6,310	1,376	1,376

Source: NYS DOB

GAAP FINANCIAL PLAN
GENERAL FUND
FY 2012
(millions of dollars)

	Mid-Year	Change	Current
Revenues:			
Taxes:			
Personal income tax	25,043	(313)	24,730
User taxes and fees	8,989	84	9,073
Business taxes	6,114	(4)	6,110
Other taxes	1,025	160	1,185
Miscellaneous revenues	6,626	284	6,910
Federal grants	60	0	60
Total revenues	47,857	211	48,068
Expenditures:			
Grants to local governments	41,575	(19)	41,556
State operations	11,070	222	11,292
General State charges	5,468	55	5,523
Debt service	0	0	0
Capital projects	0	0	0
Total expenditures	58,113	258	58,371
Other financing sources (uses):			
Transfers from other funds	14,775	102	14,877
Transfers to other funds	(5,791)	(95)	(5,886)
Proceeds from financing arrangements/	0		0
advance refundings	374	(22)	352
Net other financing sources (uses)	9,358	(15)	9,343
Operating Surplus/(Deficit)	(898)	(62)	(960)

Source: NYS DOB

GAAP FINANCIAL PLAN
GENERAL FUND
FY 2012 THROUGH FY 2016
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Revenues:					
Taxes:					
Personal income tax	24,730	26,761	27,943	29,406	30,139
User taxes and fees	9,073	9,352	9,725	10,145	10,506
Business taxes	6,110	5,978	6,222	5,684	6,311
Other taxes	1,185	1,139	1,196	1,222	1,222
Miscellaneous revenues	6,910	6,942	6,105	5,657	5,786
Federal grants	60	60	2	0	0
Total revenues	48,068	50,232	51,193	52,114	53,964
Expenditures:					
Grants to local governments	41,556	42,049	44,157	45,904	47,572
State operations	11,292	11,865	11,557	11,951	12,427
General State charges	5,523	5,888	6,555	6,972	7,402
Debt service	0	0	0	0	0
Capital projects	0	0	0	0	0
Total expenditures	58,371	59,802	62,269	64,827	67,401
Other financing sources (uses):					
Transfers from other funds	14,877	15,036	15,769	15,637	15,697
Transfers to other funds	(5,886)	(6,058)	(6,203)	(6,339)	(6,270)
Proceeds from financing arrangements/ advance refundings	352	377	400	400	400
Net other financing sources (uses)	9,343	9,355	9,966	9,698	9,827
Operating Surplus/(Deficit)	(960)	(215)	(1,110)	(3,015)	(3,610)

Source: NYS DOB

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Annual Information Statement

State of New York

May 24, 2011

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ANNUAL INFORMATION STATEMENT
STATE OF NEW YORK
DATED: MAY 24, 2011

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INTRODUCTION

This Annual Information Statement (AIS) is dated May 24, 2011 and contains information only through that date. This AIS constitutes the official disclosure regarding the financial position of the State of New York (the State) and replaces the AIS dated September 7, 2010 and all updates and supplements thereto. This AIS is scheduled to be updated on a quarterly basis (in August 2011, November 2011, and February 2012) and may be supplemented from time to time as developments 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. Information on the State's current financial projections, including summaries and extracts from the State's Enacted Budget Financial Plan (the "Enacted Budget Financial Plan" or "Enacted Budget") for fiscal year 2012 ("FY 2012" or "2011-12") issued by the Division of the Budget ("DOB") on May 6, 2011. The Enacted Budget Financial Plan sets forth the State's official Financial Plan projections for FYs 2012 through 2015. It includes, among other things, the major components of the gap-closing plan approved for FY 2012, projected annual spending growth, the magnitude of future potential budget gaps, and detailed information on projected total receipts and disbursements in the State's governmental funds.

2. A discussion of issues and risks that may affect the Financial Plan during the State's current fiscal year or in future years (under the heading "Other Matters Affecting the Financial Plan").

3. Information on other subjects relevant to the State's finances, including summaries of: (a) operating results for the three prior fiscal years, presented on a cash basis of accounting, (b) the State's revised economic forecast and a profile of the State economy, (c) the State's debt and other financing activities, (d) the organization of State government, and (e) activities of public authorities and localities.

4. 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 also relied on information drawn from other sources, including the Office of the State Comptroller (OSC). In particular, information contained in the section entitled "State Retirement Systems" has been furnished by OSC, while information relating to matters described in the section entitled "Litigation and Arbitration" has been furnished by the State Office of the Attorney General. DOB has not undertaken any independent verification of the information contained in the sections entitled "State Retirement Systems" or "Litigation and Arbitration".

INTRODUCTION

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 position, including potential operating results for the current fiscal year and projected budget 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 position of the State.

The factors affecting the State's financial position are complex. This AIS contains forecasts, projections, and estimates that are based on expectations and assumptions which existed at the time they were prepared. Since many factors may materially affect fiscal and economic conditions in the State, the inclusion in this AIS of forecasts, projections, and estimates should not be regarded as a representation that such forecasts, projections, and estimates will occur. Forecasts, projections, and estimates are not intended as representations of fact or guarantees of results. The words "expects", "forecasts", "projects", "intends", "anticipates", "estimates", and analogous expressions are intended to identify forward-looking statements in the AIS. Any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially and adversely from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, impediments to the implementation of gap-closing actions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the State. These forward-looking statements speak only as of the date of this AIS.

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 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 FY 2010 in July 2010. The Basic Financial Statements for FY 2011 are expected to be available in late July 2011. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and on its website at www.osc.state.ny.us. The Basic Financial Statements can also be accessed through EMMA at www.emma.msrb.org.

USAGE NOTICE

The AIS has been supplied by the State pursuant to its contractual obligations under various continuing disclosure agreements ("CDA") entered into by the State in connection with financings of the State, as well as 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.ny.gov) 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 position 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.

BUDGETARY AND ACCOUNTING BACKGROUND

TO HELP THE READER UNDERSTAND THE CURRENT FINANCIAL PLAN PROJECTIONS, THIS SECTION PROVIDES A BRIEF OVERVIEW OF THE STATE'S BUDGET PROCESS AND BUDGETARY AND ACCOUNTING PRACTICES. *SEE "EXHIBIT A - SELECTED STATE GOVERNMENT SUMMARY" HEREIN FOR MORE INFORMATION ON BUDGETARY AND ACCOUNTING PRACTICES.*

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, as described below, 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 and projections in the State Financial Plan. Adjustments may also be made to the State Financial Plan to reflect changes in the economic outlook, updated data on program activities, and other factors, as well as new actions taken by the Governor or the Legislature. As required by the State Finance Law, the DOB 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 as part of the Executive Budget.

Once the budget is adopted for the fiscal year, the Legislature may enact one multi-purpose appropriation bill and additional single-purpose 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 may 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 in any fiscal year to supplement existing appropriations or to provide new appropriations for purposes not covered by the regular and supplemental appropriations.

SIGNIFICANT BUDGETARY/ACCOUNTING PRACTICES

The State's General Fund receives the majority of State taxes and all income not earmarked for a particular program or activity. State law requires the Governor to submit, and the Legislature to enact, a budget that is balanced on a cash-basis of accounting. The State Constitution and State Finance Law do not provide a precise definition of budget balance. In practice, the General Fund is considered balanced on a cash basis of accounting if sufficient resources are, or are expected to be, available during the fiscal year for the State to (a) make all planned payments, including PIT refunds, without the issuance of deficit notes or bonds or extraordinary cash management actions, (b) restore the balances in the Tax Stabilization Reserve and Rainy Day Reserve to levels at or above the levels on deposit when the fiscal year began, and (c) maintain other reserves, as required by law.

The General Fund is typically the financing source of last resort for the State's other major funds, including the Health Care Reform Act (HCRA) funds, the Dedicated Highway and Bridge Trust Fund (DHBTF), the School Tax Relief (STAR) Fund, and the Lottery Fund. Therefore, the General Fund projections account for any estimated funding shortfalls in these funds. Since the General Fund is the fund that is required to be balanced, the focus of the State's budgetary and gap-closing discussion is generally weighted toward the General Fund.

State Operating Funds is a broader measure of spending for operations (as distinct from capital purposes) that is financed with State resources. It includes not only the General Fund, but also State-financed special revenue funds and debt service funds. It excludes spending from capital project funds and Federal funds. As more spending has occurred outside of the General Fund, State Operating Funds has become, in DOB's view, a more meaningful measure of State-financed spending for operating purposes. Therefore, the discussion of disbursement projections often emphasizes the State Operating Funds perspective.

The State accounts for receipts and disbursements by the fund in which the activity takes place (such as the General Fund), and the broad category or purpose of that activity (such as State Operations). The Financial Plan tables sort State projections and results by fund and category. The State also reports disbursements and receipts activity for All Governmental Funds ("All Funds"), which includes spending from Capital Projects Funds and State and Federal operating funds, providing the most comprehensive view of the cash-basis financial operations of the State.

Fund types of the State include: the General Fund; State Special Revenue Funds, which receive certain dedicated taxes, fees and other revenues that are used for a specified purpose; Federal Special Revenue Funds, which receive certain Federal grants; Capital Projects Funds, which account for costs incurred in the construction and rehabilitation of roads, bridges, prisons, university facilities, and other infrastructure projects; and Debt Service Funds, which account for the payment of principal, interest, and related expenses for debt issued by the State and its public authorities.

State Finance Law also requires DOB to prepare a financial plan using generally accepted accounting principles (GAAP), although this requirement is for informational purposes only, and is not used for statutory reporting purposes. The GAAP-basis Financial Plan follows, to the extent practicable, the accrual methodologies and fund accounting rules applied by OSC in preparation of the audited Basic Financial Statements. The GAAP-basis financial plan is not used by DOB as a benchmark for managing State finances during the fiscal year.

FINANCIAL PLAN INFORMATION

FISCAL YEAR 2011 (ENDING MARCH 31, 2011) SUMMARY RESULTS

Based on preliminary, unaudited results, the State ended FY 2011 in balance on a cash basis in the General Fund. Receipts, including transfers from other funds, totaled $54.4 billion, an increase of $343 million from the last public forecast.[1] Tax receipts exceeded projections by approximately $150 million, with stronger than expected collections in personal income tax (PIT) and sales taxes, offset in part by lower collections for business taxes. All planned refunds were made according to schedule. Other sources of General Fund receipts (including transfers of fund balances, miscellaneous receipts, and Federal grants) were approximately $195 million above planned levels. This was due almost exclusively to the transfer of excess balances from certain special revenue funds at the close of the fiscal year.

General Fund disbursements, including transfers to other funds, totaled $55.4 billion, an increase of $324 million from the last public forecast. The increase was due in part to the timing of payments that were due and budgeted for the first quarter of FY 2012 but that were made in the final quarter of FY 2011. These previously unanticipated payments included approximately $154 million for debt service expenses and $100 million for health care expenses.

The General Fund had a closing balance of $1.37 billion, consisting of $1.2 billion in the State's rainy day reserves ($1.0 billion in the Tax Stabilization Reserve and $175 million in the Rainy Day Reserve), $136 million in the Community Projects Fund, $21 million in the Contingency Reserve, and $13 million in an undesignated fund balance. The closing balance in the General Fund was $926 million lower than the closing balance for FY 2010. This reflects the planned use of an undesignated fund balance carried forward from FY 2010 into FY 2011. See "Prior Fiscal Years" herein for more information.

FISCAL YEAR 2012 (ENDING MARCH 31, 2012) SUMMARY OUTLOOK

BUDGET GAPS BEFORE BUDGET ADOPTION ("BASE" OR "CURRENT SERVICES" GAPS)

Before enactment of the FY 2012 budget, the State faced a projected budget gap of $10 billion, and projected budget gaps in future years of $14.9 billion in FY 2013, $17.4 billion in FY 2014, and $20.9 billion in FY 2015. These budget gaps represented the difference between (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain anticipated service levels and specific commitments, and (b) the expected level of resources to pay for them based on current law.[2] The gap estimates were based on a number of assumptions and projections developed by DOB in consultation with other State agencies. The assumptions reflected the impact of current statutory provisions on spending growth and tax receipts. Statutory mandates and entitlements, combined with enrollment increases and assumed reductions in Federal grants, accounted for a significant portion of projected base spending increases.

The estimated base gaps reflected, in part, the short-term impact of the recession on State tax receipts and economically-sensitive expenditure programs, the long-term growth in spending commitments, the expiration of the temporary PIT surcharge at the end of calendar year 2011, and the phase-out[3] of the Federal stimulus funding for Medicaid, education, and other purposes.

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[1] Derived from the "FY 2012 Executive Budget Financial Plan Updated for Governor's Amendments and Forecast Revisions," dated March 3, 2011, as summarized in the Quarterly Update to the FY 2011 AIS dated March 15, 2011.

[2] Typically referred to as the "current services" or "base" gaps.

[3] Under the Federal American Recovery and Reinvestment Act of 2009 (ARRA), the Federal government increased the matching amount it paid on eligible State Medicaid expenditures from 50 percent to approximately 62 percent. This temporary

EXECUTIVE BUDGET PROPOSAL

The Governor submitted his Executive Budget proposal for FY 2012 on February 1, 2011, and amendments on February 24 and March 1, 2011, as permitted by law. The Governor's Executive Budget proposed measures (the “gap-closing plan”) to eliminate the projected General Fund budget gap of $10 billion in FY 2012, and to reduce the future projected budget gaps to $2.2 billion in FY 2013, $2.5 billion in FY 2014, and $4.4 billion in FY 2015. The Executive Budget proposed savings of approximately $2.85 billion each for School Aid and Medicaid; $1.4 billion for State agency operations, including a 10 percent year-to-year reduction in State Operations spending in the General Fund, and corresponding reductions in other funds, where appropriate; and $1.8 billion for a range of other programs and activities.

ENACTED BUDGET FOR FISCAL YEAR 2012

The Governor and legislative leaders announced general agreement on the outlines of a budget for FY 2012 on March 27, 2011. The Legislature passed the appropriations and accompanying legislation needed to complete the budget on March 31, 2011. Consistent with past practice, the Legislature enacted the annual debt service appropriations without amendment before the start of the fiscal year (on March 16, 2011). On April 11, 2011, the Governor completed his review of all budget bills, finalizing the enactment of the FY 2012 Budget. The following table provides selected projected indicators and measures of the Enacted Budget Financial Plan relative to the prior year and relative to the base budget for FY 2012 (i.e., before reflecting the anticipated impact of the gap-closing actions approved in the Enacted Budget).

increase in the Federal Medical Assistance Percentage (FMAP) ends on June 30, 2011. The ARRA also provided a temporary increase in Federal funding for other governmental services, including aid to public education.

ENACTED BUDGET FINANCIAL PLAN AT-A-GLANCE: SELECTED INDICATORS AND MEASURES (millions of dollars)			
	2010-11	2011-12	
	Year-End Results [1]	Before Actions [1,2]	Enacted Budget [1]
State Operating Funds Budget			
Size of Budget	$84,417	$95,047	$86,879
Annual Growth	4.7%	12.6%	2.9%
Other Budget Measures			
General Fund (with transfers)	$55,373	$65,346	$56,932
	6.1%	18.0%	2.8%
State Funds (Including Capital)	$90,118	$101,311	$92,804
	4.7%	12.4%	3.0%
Capital Budget (Federal and State)	$7,844	$8,273	$7,888
	10.3%	5.5%	0.6%
Federal Operating	$42,564	$40,273	$36,931
	8.8%	-5.4%	-13.2%
All Funds	$134,825	$143,593	$131,698
	6.3%	6.5%	-2.3%
All Funds (Including "Off-Budget" Capital)	$136,261	$145,251	$133,395
	6.0%	6.6%	-2.1%
All Funds Receipts			
Taxes	$60,870	$64,538	$64,976
	5.6%	6.0%	6.7%
Miscellaneous Receipts	$23,148	$22,809	$23,407
	-1.7%	-1.5%	1.1%
Federal Grants	$49,303	$46,753	$43,305
	8.3%	-5.2%	-12.2%
Total Receipts	$133,321	$134,100	$131,688
	5.2%	0.6%	-1.2%
Base Tax Growth/(Decline) [3]	2.1%	7.5%	7.5%
Inflation (CPI)	1.4%	1.9%	2.1%
Budget Gaps			
2011-12	N/A	($10,001)	0
2012-13	N/A	($14,945)	($2,379)
2013-14	N/A	($17,429)	($2,836)
2014-15	N/A	($20,903)	($4,605)
Total General Fund Reserves	$1,376	N/A	$1,737
Rainy Day Reserve Funds	$1,206	N/A	$1,306
Reserved for Potential Retroactive Payments [4]	$0	N/A	$346
All Other Reserves	$170	N/A	$85
State Workforce (Subject to Direct Executive Control) [5]	125,787	127,032	126,395
Debt			
Debt Service as % All Funds Receipts	4.6%	4.9%	4.9%
State-Related Debt Outstanding	$55,674	$57,855	$57,939

[1] Spending in State Operating Funds, State Funds, and Federal Operating Funds has been restated to follow the classification of State and Federal special revenue accounts used by the State Comptroller.

[2] Before spending reductions and other actions to eliminate the projected budget gap.

[3] The base tax growth rate for the current year equals current year actual collections, less the incremental values of tax law changes and involuntary collections, divided by actual collections from the prior year.

[4] The State has set aside funds that are expected to cover the costs of potential retroactive labor settlements with unions that have not agreed to contracts through FY 2011.

[5] FY 2012 estimate does not reflect layoffs that may be necessary in the absence of negotiated workforce savings.

The gap-closing plan authorized in the Enacted Budget Financial Plan did not differ significantly from the Executive Budget proposal. DOB estimates that the gap-closing plan eliminates the General Fund budget gap of $10 billion in FY 2012 and reduces the budget gaps to $2.4 billion in FY 2013, $2.8 billion in FY 2014, and $4.6 billion in FY 2015. The following table summarizes the multi-year impact of the gap-closing plan.

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

	2011-12	2012-13	2013-14	2014-15
REVISED CURRENT-SERVICES ESTIMATE (BEFORE ACTIONS)	**(10,001)**	**(14,945)**	**(17,429)**	**(20,903)**
Enacted Budget Actions	**10,001**	**12,566**	**14,593**	**16,298**
Spending Reductions/Offsets	8,537	11,967	14,302	15,908
Aid to Localities Reductions[1]	*7,040*	*10,389*	*12,707*	*14,319*
State Agency Redesign	*1,497*	*1,578*	*1,595*	*1,589*
Revenue Enhancements	324	293	91	21
Non-Recurring Resources	860	2	0	0
New Resources/Costs	380	304	200	369
Planned Deposit to Rainy Day Fund	(100)	0	0	0
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE AFTER ACTIONS	**0**	**(2,379)**	**(2,836)**	**(4,605)**

[1] Outyear savings assume Medicaid and School Aid grow at their target rates.

The gap-closing plan authorizes actions to lower General Fund spending by approximately $8.5 billion in FY 2012 compared to the current-services forecast. The Enacted Budget includes estimated savings of $2.8 billion for School Aid and $2.7 billion for Medicaid (including a caseload reestimate); $1.5 billion for State agency operations; and $1.5 billion for a range of other programs and activities.

The gap-closing plan anticipates $324 million in additional revenues associated with specific statutory changes. These changes include modernizing the State's tax system, improving voluntary compliance with tax law, and increasing the level of resources available from the Abandoned Property Fund. The Legislature authorized certain tax modernization initiatives for two years (scheduled to sunset on December 31, 2012).

Non-recurring actions are estimated by DOB to total approximately $860 million in FY 2012. The actions are expected to be derived from contributions by the State's public authorities, use of fund balances, and maintaining a consistent level of pay-as-you-go (PAYGO) financing for eligible capital expenses (rather than increasing the level in FY 2012, as assumed in the base budget projections).

The Enacted Budget Financial Plan limits the annual growth rates for major programs, including Medicaid and School Aid. The established growth rate for the Department of Health (DOH) Medicaid State Funds spending is limited by law to the ten-year average change in the medical component of the Consumer Price Index (CPI). This is estimated at approximately 4 percent over the plan period. The growth rate for School Aid is limited to the rate of growth in New York State personal income.

The Enacted Budget includes two-year appropriations and changes to law for Medicaid and School Aid to help limit the growth in these programs to the target rates. In Medicaid, the budget grants State officials authority to make certain modifications to the Medicaid program to help maintain spending within the allowable limit. DOB anticipates that most potential modifications that are likely to be considered to constrain Medicaid spending will require the approval of the Federal government. Adherence to the limit is dependent on other factors, including the adoption of voluntary cost-saving measures by the health care industry. The new administrative authority granted to State officials to modify the Medicaid program expires after two years; however, the statutory Medicaid spending cap is not scheduled to expire. The Financial Plan projections for all fiscal years assume that Medicaid and School Aid will grow at the capped rates.

PROJECTED CLOSING BALANCES

DOB estimates the State will end FY 2012 with a General Fund balance of $1.7 billion. The closing balance in the Rainy Day Reserve reflects a planned deposit of $100 million in FY 2012.

GENERAL FUND ESTIMATED CLOSING BALANCE (millions of dollars)

	2010-11	Planned Deposit	Planned Uses	2011-12
Projected Year-End Fund Balance	**1,376**	**446**	**(85)**	**1,737**
Tax Stabilization Reserve Fund	1,031	0	0	1,031
Rainy Day Reserve Fund	175	100	0	275
Contingency Reserve Fund	21	0	0	21
Community Projects Fund	136	0	(85)	51
Prior Year Labor Agreements (2007-2011)	0	346	0	346
Undesignated	13	0	0	13

The closing balance also includes $346 million identified to cover the costs of potential retroactive labor settlements with unions that have not agreed to contracts through FY 2011. The amount is calculated based on the pattern settlement for FYs 2007 through 2011 agreed to by the State's largest unions for that period. In prior years, this amount has been carried in the annual spending totals. If settlements are reached in FY 2012, the projected fund balance in the General Fund would decline by an amount equal to the cost of the settlements.

The Community Projects Fund, which finances discretionary ("member item") grants allocated by the Legislature and Governor, is expected to disburse $85 million in FY 2012, reflecting slower than anticipated spending and the repeal, as part of the FY 2012 gap-closing plan, of $85 million in scheduled General Fund deposits for FY 2012.

ANNUAL SPENDING GROWTH

DOB estimates that State Operating Funds spending will total $86.9 billion in FY 2012, an increase of $2.5 billion (2.9 percent) from FY 2011 results. All Governmental Funds spending, which includes capital projects and Federal operating spending, is expected to total $131.7 billion, a decrease of $3.1 billion from the prior year. Consistent with recent experience, disbursements in FY 2011 were well below budgeted levels in State Operating Funds and in All Governmental Funds. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agencies) in special revenue funds and capital projects funds have been adjusted downward in FY 2012 and thereafter based on typical spending patterns and the observed variance between estimated and actual results over time.

TOTAL DISBURSEMENTS (millions of dollars)							
			Before Actions			After Actions	
	2010-11 Results	2011-12 Base	Annual $ Change	Annual % Change	2011-12 Enacted	Annual $ Change	Annual % Change
State Operating Funds	**84,417**	**95,047**	**10,630**	**12.6%**	**86,879**	**2,462**	**2.9%**
General Fund (excluding transfers)	49,366	58,591	9,225	18.7%	50,912	1,546	3.1%
Other State Funds	29,373	30,364	991	3.4%	30,050	677	2.3%
Debt Service Funds	5,678	6,092	414	7.3%	5,917	239	4.2%
All Governmental Funds	**134,825**	**143,593**	**8,768**	**6.5%**	**131,698**	**(3,127)**	**-2.3%**
State Operating Funds	84,417	95,047	10,630	12.6%	86,879	2,462	2.9%
Capital Projects Funds	7,844	8,273	429	5.5%	7,888	44	0.6%
Federal Operating Funds	42,564	40,273	(2,291)	-5.4%	36,931	(5,633)	-13.2%
General Fund, including Transfers	**55,373**	**65,346**	**9,973**	**18.0%**	**56,932**	**1,559**	**2.8%**
State Funds	**90,118**	**101,311**	**11,193**	**12.4%**	**92,804**	**2,686**	**3.0%**

The annual spending growth in State Operating Funds is affected by the annual increases 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 nearly $700 million in FY 2012. Debt service on State-supported debt is projected to increase by $239 million (4.2 percent) in FY 2012. This includes the payment in FY 2011 of $154 million in debt service expenses that were not due until the first quarter of FY 2012. Spending on fringe benefits and certain other fixed costs is projected to increase by $428 million (7.0 percent). Growth in fringe benefits is due 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, including State contributions to SUNY's optional retirement program, are expected to increase by $200 million (13.6 percent) in FY 2012, even with the amortization (i.e., deferral with interest expense) of contributions in excess of 10.5 percent of payroll in FY 2012. Without amortization, the State contribution to the State pension system in FY 2012 would total approximately $2.1 billion, or $635 million above the amount in the Enacted Budget Financial Plan.[4] See "Other Matters Affecting the Financial Plan - Pension Expenditures (Including Amortization)" herein for more information. The following table summarizes the major sources of annual change in State spending by major program, purpose, and Fund perspective.

[4] The Financial Plan assumes that the State will amortize pension costs, consistent with the provisions of the authorizing legislation. The State amortized $249 million of its FY 2011 pension bill of $1.5 billion and paid the balance on March 1, 2011. The amounts assumed to be amortized over the Financial Plan period are $635 million in FY 2012, $878 million in FY 2013, $1.1 billion in FY 2014, and $1.2 billion in FY 2015.

STATE SPENDING MEASURES: BEFORE AND AFTER BUDGET ACTIONS
(millions of dollars)

STATE OPERATING FUNDS	2010-11 Results	2011-12 Base	Annual Change Before Actions $	Annual Change Before Actions %	2011-12 Enacted	Annual Change After Actions $	Annual Change After Actions %
Local Assistance	**55,295**	**64,509**	**9,214**	**16.7%**	**57,761**	**2,466**	**4.5%**
School Aid [1]	19,788	22,453	2,665	13.5%	19,686	(102)	-0.5%
Medicaid [2]	14,158	19,992	5,834	41.2%	17,567	3,409	24.1%
Department of Health [3]	15,887	17,943	2,056	12.9%	15,679	(208)	-1.3%
Enhanced FMAP (DOH Only)	(3,948)	(353)	3,595	-91.1%	(353)	3,595	-91.1%
Mental Hygiene	2,150	2,290	140	6.5%	2,130	(20)	-0.9%
Children and Family Services	69	112	43	62.3%	111	42	60.9%
Transportation	4,254	4,298	44	1.0%	4,236	(18)	-0.4%
STAR	3,234	3,418	184	5.7%	3,293	59	1.8%
Social Services (Non-Medicaid)	2,800	3,302	502	17.9%	3,018	218	7.8%
Higher Education	2,469	2,711	242	9.8%	2,594	125	5.1%
Public Health/Aging	2,015	2,412	397	19.7%	2,121	106	5.3%
Other Education Aid	1,474	1,830	356	24.2%	1,743	269	18.2%
Mental Hygiene (Non-Medicaid)	1,428	1,661	233	16.3%	1,470	42	2.9%
Local Government Assistance	775	1,070	295	38.1%	767	(8)	-1.0%
All Other [4]	2,900	1,362	(1,538)	-53.0%	1,266	(1,634)	-56.3%
State Operations	**17,387**	**17,908**	**521**	**3.0%**	**16,728**	**(659)**	**-3.8%**
Personal Service:	12,422	12,485	63	0.5%	11,677	(745)	-6.0%
Executive Agencies	7,163	7,054	(109)	-1.5%	6,511	(652)	-9.1%
University System	3,338	3,457	119	3.6%	3,316	(22)	-0.7%
Judiciary	1,525	1,568	43	2.8%	1,469	(56)	-3.7%
Legislature	174	165	(9)	-5.2%	165	(9)	-5.2%
Department of Law	112	117	5	4.5%	109	(3)	-2.7%
Audit & Control	110	124	14	12.7%	107	(3)	-2.7%
Non-Personal Service	4,965	5,423	458	9.2%	5,051	86	1.7%
Fringe Benefits/Fixed Costs	**6,102**	**6,598**	**496**	**8.1%**	**6,530**	**428**	**7.0%**
Pensions	1,470	1,672	202	13.7%	1,670	200	13.6%
Health Insurance	3,055	3,409	354	11.6%	3,429	374	12.2%
All Other Fringe Benefits	1,227	1,189	(38)	-3.1%	1,103	(124)	-10.1%
Fixed Costs	350	328	(22)	-6.3%	328	(22)	-6.3%
Debt Service	**5,615**	**6,030**	**415**	**7.4%**	**5,855**	**240**	**4.3%**
Capital Projects	**18**	**2**	**(16)**	**-88.9%**	**5**	**(13)**	**-72.2%**
TOTAL STATE OPERATING FUNDS	**84,417**	**95,047**	**10,630**	**12.6%**	**86,879**	**2,462**	**2.9%**
Capital Projects (State Funded)	**5,701**	**6,264**	**563**	**9.9%**	**5,925**	**224**	**3.9%**
TOTAL STATE FUNDS	**90,118**	**101,311**	**11,193**	**12.4%**	**92,804**	**2,686**	**3.0%**
Federal Spending (Including Capital Grants)	**44,707**	**42,282**	**(2,425)**	**-5.4%**	**38,894**	**(5,813)**	**-13.0%**
TOTAL ALL GOVERNMENTAL FUNDS	**134,825**	**143,593**	**8,768**	**6.5%**	**131,698**	**(3,127)**	**-2.3%**

[1] Excludes payment deferral. Includes Medicaid spending for School Supportive Health Services in FY 2011.

[2] An additional $3.6 billion in Medicaid spending for mental hygiene agencies is included in state operations and fringe benefits spending totals.

[3] Includes operational costs that support contracts related to the management of the Medicaid program and various activities to ensure appropriate utilization.

[4] All other includes school aid deferral, local aid spending in a number of other programs, including parks and the environment, economic development, and public safety, and reclassification of money between Financial Plan categories.

Beginning with the Third Quarterly Update to the FY 2011 AIS, DOB changed its classification of State and Federal special revenue funds to conform to the accounting classifications used by OSC. This means that certain special revenue accounts formerly reported in the State's Financial Plan as Federal Operating Funds have been reclassified to State Operating Funds. This change has the effect of increasing the reported disbursements from State Operating Funds, and reducing reported disbursements from Federal Operating Funds by an equal amount. Accordingly, there is no impact on the State's reported All Governmental Funds spending totals. The impact of the reclassification on prior-year results is summarized in the following table for comparability.

STATE OPERATING FUNDS AS RESTATED
(millions of dollars)

	Before Restatement	Reporting Adjustment[1]	Restated
2005-06	66,240	3,065	69,305
2006-07	73,476	3,031	76,507
2007-08	76,989	3,029	80,018
2008-09	78,166	3,459	81,625
2009-10	76,873	3,786	80,659
2010-11	80,491	3,926	84,417

[1] DOB has reclassified certain special revenue accounts from Federal Operating Funds to State Operating Funds to be consistent with the methodology used by the Office of the State Comptroller.

FISCAL YEAR 2012 ENACTED BUDGET GAP-CLOSING PLAN

As noted above, DOB estimates that the Enacted Budget gap-closing plan eliminates the General Fund budget gap of $10 billion in FY 2012 and reduces the budget gaps to $2.4 billion in FY 2013, $2.8 billion in FY 2014, and $4.6 billion in FY 2015. The following table provides information on the actions and other changes that DOB believes will be sufficient to close the $10.0 billion budget gap in FY 2012, and the impact these gap-closing actions are projected to have on upcoming fiscal years.

GENERAL FUND GAP-CLOSING PLAN FOR 2011-12 (millions of dollars)				
	2011-12	2012-13	2013-14	2014-15
CURRENT-SERVICES GAP ESTIMATES (BEFORE ACTIONS)	**(10,001)**	**(14,945)**	**(17,429)**	**(20,903)**
Total Enacted Budget Gap-Closing Plan	**10,001**	**12,566**	**14,593**	**16,298**
Spending Reductions/Offsets	**8,537**	**11,967**	**14,302**	**15,908**
Local Assistance	**7,040**	**10,389**	**12,707**	**14,319**
Medicaid	2,744	4,047	4,875	5,605
Public Health/Aging	52	140	147	154
School Aid	2,767	4,752	6,238	7,133
Lottery Aid	147	158	158	158
School Tax Relief	125	262	262	262
Special Education	98	0	0	0
Higher Education	47	50	51	51
Human Services/Labor/Housing	284	302	310	323
Local Government Aid	325	295	295	295
Mental Hygiene	328	327	317	280
Member Item Fund Deposit Repeal	85	0	0	0
All Other	38	56	54	58
State Agency Redesign	**1,497**	**1,578**	**1,595**	**1,589**
Revenue Enhancements	**324**	**293**	**91**	**21**
Tax Modernization/Voluntary Compliance	200	150	0	0
Abandoned Property	110	125	70	55
Prison Closure Tax Credit	0	0	(5)	(60)
All Other	14	18	26	26
Non-Recurring Resources	**860**	**2**	**0**	**0**
MTA Transaction	200	0	0	0
Debt Management/Capital Financing	200	0	0	0
HCRA Resource Reestimate	155	0	0	0
NYPA/Other Authorities	150	0	0	0
Recoveries	75	0	0	0
Fund Sweeps/Other	80	2	0	0
New Resources/Costs	**380**	**304**	**200**	**369**
Updated Receipts Forecast	387	455	460	448
Debt Service	154	0	0	0
Health Insurance Conversion	(150)	(25)	0	0
HEAL Capital Plan Reestimate	160	(94)	(160)	0
Native American Cigarette Tax Enforcement	(103)	0	0	0
All Other	(68)	(32)	(100)	(79)
Deposit to Rainy Day Reserve	**(100)**			
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE	**0**	**(2,379)**	**(2,836)**	**(4,605)**

The gap-closing plan authorizes actions to lower spending by approximately $8.5 billion in FY 2012 compared to the current-services forecast. The Enacted Budget includes savings of $2.8 billion for School Aid and $2.7 billion for Medicaid; $1.5 billion for State agency operations; and $1.5 billion for a range of other programs and activities. Significant actions reflected in the Enacted Budget Financial Plan are described below.

- **Medicaid ($2.7 billion in savings and reestimates):** The gap-closing plan includes a series of programmatic changes and cost-containment measures that are expected to generate savings in FY 2012, and restrain growth in future years. These include programmatic reforms to Medicaid payments and program structures; the elimination of annual statutory inflation factors for hospitals, nursing homes and home and personal care providers ($185 million); a 2 percent across-the-board rate reduction or other industry-specific measures ($345 million); the acceleration of certain payments to take advantage of additional enhanced FMAP payments ($66 million); and an industry-led effort to generate additional savings ($640 million). DOB believes that the imposition of an overall cap on spending and administrative flexibility to implement alternative savings will help ensure the cap is not exceeded in FY 2012. In addition, the plan recognizes the impact of slower caseload growth and changes in provider spending patterns ($475 million). See “Other Matters Affecting the Financial Plan - Budget Risks and Uncertainties” for a discussion of potential implementation risks. The following table summarizes the most significant Medicaid savings actions included in the Enacted Budget Financial Plan.

SUMMARY OF MEDICAID REDESIGN TEAM SAVINGS ACTIONS SAVINGS/(COSTS) (millions of dollars)				
	2011-12	2012-13	2013-14	2014-15
Total Medicaid Savings Actions	**2,744**	**4,047**	**4,875**	**5,605**
Non-MRT Medicaid Actions	**535**	**667**	**867**	**867**
Program Growth Revision	475	650	850	850
Anti-Tobacco Spending Reduction	17	17	17	17
HEAL NY & Stem Cell Spending Reduction	43	0	0	0
Medicaid Redesign Team Savings Actions	**2,209**	**3,380**	**4,008**	**4,738**
Hospitals/Clinics	**267**	**317**	**320**	**290**
Reduce Costs by 2 Percent	66	68	68	68
Eliminate Inflationary Rate Increases (2011 and 2012)	28	61	61	61
Implement Health Homes for High-Cost/High-Need Population	33	112	119	95
All Other	140	76	72	66
Managed Care	**296**	**329**	**339**	**341**
Reduce Profit Margin from 3% to 1%	94	100	100	100
Reduce Costs by 2 Percent (Managed Care/Family Health Plus)	86	89	89	89
Reduce Premium Rate	84	86	86	86
Eliminate Marketing Funding	23	23	23	23
All Other	9	31	41	43
Home Care/Personal Care	**256**	**212**	**200**	**196**
Reduce Utilization	157	127	88	69
Reduce Costs by 2 Percent	58	60	60	60
Permanently Eliminate Inflationary Rate Increases	27	58	58	58
Establish Supportive Housing Initiative	0	(75)	(75)	(75)
All Other	14	42	69	84
Nursing Home	**187**	**249**	**253**	**253**
Provider Assessment (2 Percent Reduction Alternative)	70	73	73	73
Permanently Eliminate Inflationary Rate Increases	47	100	100	100
Restructure Reimbursement for Proprietary Homes	44	44	44	44
All Other	26	32	36	36
Pharmaceutical Savings	**154**	**244**	**245**	**252**
Reduce Costs by 2 Percent	42	43	43	43
Comprehensive Fee for Service Reform	59	92	92	92
All Other	53	109	110	117
All Other	**1,049**	**2,029**	**2,651**	**3,406**
Contingency Industry Utilization Reduction	640	1,525	2,135	2,693
Enhance Program Integrity	80	160	160	160
Payment Acceleration	66	0	0	0
Non-institutional Services - Reduce Costs by 2 Percent	19	20	20	20
Transportation - Reduce Costs by 2 Percent	4	4	4	4
All Other	240	320	332	529

- **Public Health/Aging ($52 million):** Limits the Elderly Pharmaceutical Insurance Coverage (EPIC) only to enrollees affected by the Medicare Part D coverage gap; modifies the payment rates, eligibility standards, and operation of the EI program; eliminates reimbursement for optional services provided through the General Public Health Works Program (GPHW); and reduces certain public health and aging programs.

- **School Aid ($2.8 billion on a State fiscal year basis):** Reduces general School Aid, with low-wealth districts receiving proportionally smaller reductions, and extends the phase-in of Foundation Aid and universal pre-kindergarten (UPK) at the FY 2011 school year levels. Additional savings are expected to be realized in future years by limiting annual School Aid increases to the rate of growth in New York personal income.

- **Lottery Aid ($147 million):** Enhances the operation of the State's lottery games and video lottery terminal (VLT) facilities (including increased promotion of VLTs and enhancements to Quick Draw and other lottery games) to increase lottery revenues for financing School Aid.

- **STAR ($125 million):** Caps growth in STAR exemption benefits per qualifying property at 2 percent annually.

- **Education ($98 million):** Alters the reimbursement schedule for certain special education programs.

- **Human Services/Labor/Housing ($284 million):**

  In the area of the Office of Temporary and Disability Assistance (OTDA), delays by one year a 10 percent increase in the public assistance grant that was scheduled for July 1, 2011; eliminates State participation for New York City's shelter supplement program; and reduces reimbursement to New York City for adult homeless shelter costs. In addition, the Enacted Budget maximizes Federal Temporary Assistance for Needy Families (TANF) funds to pay the full costs for TANF-eligible households on public assistance.

  In the area of the Office of Children and Family Services (OCFS), reduces Child Welfare disbursements based on improved program performance data; decreases the State share of the Adoption Subsidy Program from 73.5 to 62 percent; increases the share of Committee on Special Education program costs paid by school districts to better align costs with program responsibility; restructures funding for local detention costs; and eliminates the 1.2 percent Human Services cost of living adjustment (COLA) scheduled for FY 2012.

- **Local Government Aid ($325 million):** Continues the State's current Aid and Incentives for Municipalities (AIM) policy that excludes payments for New York City, reduces AIM for other municipalities by 2 percent, and reduces other targeted aid provided to municipalities.

- **Mental Hygiene ($328 million):** Eliminates the planned 1.2 percent Human Services COLA; reforms and restructures Office for Mental Health (OMH), Office for People with Developmental Disabilities (OPWDD), and the Office for Alcoholism and Substance Abuse Services (OASAS) programs; enhances billing and auditing recovery; freezes community bed development and planned program expansion; maintains existing funding levels related to the implementation of the Rockefeller-era drug law reforms and other programs; and delays funding related to pending adult home litigation.

- **Higher Education ($47 million):** Reduces State support for the State University of New York (SUNY) and the City University of New York (CUNY) community colleges and reduces the Tuition Assistance Program (TAP) spending by continuing changes to eligibility standards and reducing certain grant awards. Savings will be offset in part by renewal of funding for certain scholarship programs, and new funding to extend TAP awards for students attending certain institutions of higher education not supervised by the State Education Department (SED).

- **Member Item Deposit ($85 million):** Repeals a planned deposit of $85 million to the fund that was authorized in the FY 2010 Enacted Budget.

STATE AGENCY REDESIGN

Agency redesign savings are expected to be achieved through several means including, but not limited to, facility closures reflecting excess capacity conditions, operational efficiencies, and wage and benefit changes expected to be negotiated with the State's employee unions. In total, the reductions are expected to provide an estimated $1.5 billion in savings compared to the current-services forecast (including $170 million from the Office of Court Administration (OCA)). If the State is unsuccessful in negotiating wage and benefit changes, DOB expects that significant layoffs will be necessary to achieve the State agency savings contained in the Enacted Budget Financial Plan.

To achieve the overall savings target, the gap-closing plan includes year-to-year reductions to State agencies financed from the General Fund, and comparable reductions to the following: health care and mental hygiene institutions, City University Senior Colleges (for parity with SUNY), and the operations of the Department of Transportation (DOT) and the Department of Motor Vehicles (DMV). State agency operations are financed from a number of different appropriations and funds. In some instances, only a portion of an agency's operations were exempt from reduction (e.g., SUNY). Results for FY 2011, subsequent revisions to estimated disbursements in FY 2012, and the ongoing implementation of efficiencies will affect the size of the reductions among agencies. The Legislature, and activities financed with specific dedicated revenues such as tuition, are not included in the reductions.

Implementation of the savings in State agencies may be affected by, among other things, statutory or regulatory constraints, negotiations with State employee unions, and other factors. Accordingly, there can be no assurance that the actual savings will not differ materially and adversely from the Enacted Budget Financial Plan projections.

REVENUE ENHANCEMENTS

The gap-closing plan anticipates $324 million in additional revenues associated with specific statutory changes. These changes include modernizing the State's tax system, improving voluntary compliance with tax law, and increasing the level of resources available from the Abandoned Property Fund. The Legislature authorized certain tax modernization initiatives that are scheduled to sunset on December 31, 2012.

Tax modernization initiatives are expected to increase the level of PIT returns filed electronically. Electronic filing improves data matching with existing IRS and other data sources, resulting in increased State revenue through denied refunds and more accurate final returns. In addition, the Tax Commissioner is provided discretion to require dedicated bank accounts for sales tax deposits and more frequent filing from sales tax filers who have a poor filing record.

The Enacted Budget Financial Plan also includes law changes that reduce the dormancy periods on thirteen items that currently fall dormant at either five or six years, to three years. These dormancy periods reflect the length of time a vendor (e.g. a bank) can hold funds before they are deemed abandoned and turned over to the State. Dormancy periods are reduced for demand deposit accounts, lost property, savings accounts, time deposit accounts, and trust funds, among others. Persons are able to retrieve abandoned funds through OSC. In addition, the Enacted Budget Financial Plan assumes additional revenues based on a review of abandoned property resources.

NON-RECURRING RESOURCES

Non-recurring actions are estimated by DOB to total approximately $860 million in FY 2012. The actions are expected to be derived from, among other things, contributions by the State's public authorities, use of fund balances, and maintaining a consistent level of PAYGO financing for eligible capital expenses (rather than increasing the level in FY 2012 as assumed in the base budget projections).

OTHER RESOURCES

Additional resources were identified during negotiations on the FY 2012 budget that were offset in part by new costs and forecast revisions. Net new resources, which are based on a review of FY 2011 results and other information, are estimated to total $380 million in FY 2012. The resources include $387 million in higher projected tax receipts; $154 million in estimated lower debt service costs from the payment of certain expenses in March 2011; and $160 million related to grants for capital construction and repair of eligible health care facilities that are expected to be disbursed more slowly than originally anticipated, resulting in lower projected disbursements in FY 2012, but increased spending in future years. New costs reflect changes in the timing of expected proceeds from the conversion of a non-profit health insurer to for-profit status and a reduction to the estimate of tax receipts in FY 2012 related to tax enforcement efforts on Native American lands due to delays related to ongoing litigation.

OTHER MATTERS AFFECTING THE ENACTED BUDGET FINANCIAL PLAN

GENERAL

The Enacted Budget Financial Plan forecasts are subject to many complex economic, social, financial, and political risks and uncertainties, many of which are outside the ability of the State to control. DOB believes that the projections of receipts and disbursements in the Enacted Budget Financial Plan are based on reasonable assumptions, but there can be no assurance that actual results will not differ materially and adversely from these projections. In recent fiscal years, actual receipts collections have fallen substantially below the levels forecast in the Financial Plan.

The Enacted Budget Financial Plan is based on numerous assumptions, including the condition of the State and national economies and the concomitant receipt of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecasts include the impact of: international events in Japan, the Middle East, and elsewhere on consumer confidence, oil supplies and oil prices; Federal statutory and regulatory changes concerning financial sector activities; changes concerning the structure of financial sector bonuses, as well as any future legislation governing the structure of compensation; shifts in monetary policy affecting interest rates and the financial markets; financial and real estate market developments on bonus income and capital gains realizations; and, household deleveraging on consumer spending and State tax collections. See the section on “Economics and Demographics” in this AIS for more detailed information on specific economic risks.

The Enacted Budget Financial Plan is subject to various other uncertainties and contingencies relating to, among other factors: the extent, if any, to which wage increases for State employees exceed the annual wage costs assumed; realization of projected earnings for pension fund assets and current assumptions with respect to wages for State employees affecting the State's required pension fund contributions; the willingness and ability of the Federal government to provide the aid reflected in the Enacted Budget Financial Plan; the ability of the State to implement cost reduction initiatives, including the reduction in State agency operations, and the success with which the State controls expenditures; and the ability of the State and its public authorities to market securities successfully in the public credit markets. Some of these specific issues are described in more detail in the Enacted Budget Financial Plan. The projections and assumptions contained in the Enacted Budget Financial Plan are subject to revision which may involve substantial change, and no assurance can be given that these estimates and projections, which include actions the State expects to be taken but which are not within the State's control, will be realized.

BUDGET RISKS AND UNCERTAINTIES

There can be no assurance that the projected outyear budget gaps will not increase materially from the levels currently projected. If this were to occur, the State would be required to take additional gap-closing actions. These may include, but are not limited to, additional reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid; suspension of capital maintenance and construction; extraordinary financing of operating expenses; or other measures. In nearly all cases, the ability of the State to implement these actions requires the approval of the Legislature or other entities outside of the control of the Governor.

The Enacted Budget Financial Plan anticipates the use of certain statutory tools to implement the Medicaid cost controls assumed in the gap-closing plan. However, there can be no assurance that these controls will be sufficient to achieve the level of gap-closing savings anticipated in FY 2012 or limit the rate of annual growth in DOH State Funds Medicaid spending to the projected level, which is estimated at approximately 4 percent annually over the plan period. Every 1 percent variance in the annual growth rate would change spending by approximately $150 million. In addition, savings in FY 2012 and in future years are dependent upon timely Federal approvals, appropriate amendments to existing systems and processes, and a collaborative working relationship with health care industry stakeholders.

The Enacted Budget Financial Plan forecast 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 Enacted Budget Financial Plan, including payments pursuant to the Tribal State Compact; and the achievement of cost-saving measures including, but not limited to, 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 Enacted Budget Financial Plan in the current year or future years.

CURRENT CASH-FLOW PROJECTIONS

The General Fund is authorized to borrow resources temporarily from other available funds in the State's Short-Term Investment Pool (STIP) for up to four months, or to the end of the fiscal year, whichever period is shorter. 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 (labeled "All Funds" in the following table), as well as relatively small amounts of other money belonging to the State.

The General Fund used this authorization to meet certain payment obligations in May, June, September, November, and December 2010, and April 2011. The General Fund is likely to rely on this borrowing authority at times during FY 2012.

The State continues to reserve money on a quarterly basis for debt service payments 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.

The projected month-end cash balances for FY 2012 are shown in the following table. The projections assume successful implementation of the gap-closing plan. General Fund cash balances are expected to be relatively low, especially during the first half of the fiscal year.

DOB will continue to monitor and manage the State's cash position closely during the fiscal year in an effort to maintain adequate operating balances.

PROJECTED ALL FUNDS MONTH-END CASH BALANCES FISCAL YEAR 2011-12 (millions of dollars)			
	General Fund	Other Funds	All Funds
April	4,475	4,195	8,670
May	1,098	4,372	5,470
June	489	3,613	4,102
July	1,245	4,454	5,699
August	946	4,830	5,776
September	4,192	2,339	6,531
October	3,023	3,347	6,370
November	1,568	3,661	5,229
December	1,906	2,620	4,526
January	5,645	4,437	10,082
February	5,025	4,776	9,801
March	1,737	2,523	4,260

Source: NYS DOB

PENSION EXPENDITURES (INCLUDING AMORTIZATION)

Part TT of Chapter 57 of the Laws of 2010 (see description on page 113 of this AIS) authorized the State and local governments to elect to defer paying (or "amortize") a portion of their pension costs beginning in FY 2011. Amortization temporarily reduces the pension costs that must be paid by participating employers in a given fiscal year, but results in higher costs overall. Specifically, the amount of the difference between the actuarial contribution rate and statutory amortization thresholds in a given fiscal year (which were 9.5 percent of payroll for Employees' Retirement System (ERS) and 17.5 percent for the Police and Fire Retirement System (PFRS) in FY 2011), may be amortized by governmental entities which elect to do so. The statutory threshold for amortization increases by 1 percentage point annually (e.g., from 9.5 percent in FY 2011 to 10.5 percent in FY 2012). Under the amortization program, if the State elects to amortize each year, the State's minimum ERS pension contribution rate as a percentage of payroll will grow from 10.5 percent in FY 2012 to 13.5 percent in FY 2015. The PFRS minimum contribution rate under the amortization program will be 18.5 percent in FY 2012 and grow to 21.5 percent in FY 2015. 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 in the same direction as the actuarial rate 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 comparable to taxable fixed income instruments of comparable duration as determined annually by the State Comptroller. For amounts amortized in FY 2011, the State Comptroller set an interest rate of 5 percent.

In March 2011, the State made a pension payment of $1.078 billion for FY 2011, and amortized $216 million. In addition, the State's Office of Court Administration (OCA) made its pension payment of $179 million, and amortized $33 million. The $249 million in total deferred payments will be repaid with interest over the next ten years, beginning in FY 2012. The Enacted Budget Financial Plan assumes that the State and OCA will amortize pension costs, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB to be 5 percent over a 10-year period, beginning in the fiscal year following each deferred payment.

The following table, which summarizes pension contributions and projections for future fiscal years, reflects the "normal costs" of pension contributions as the amount the State would contribute to fund pensions before amortization, along with "new amortized amounts" assumed in upcoming years. The repayment costs associated with these amortizations are reflected as the "amortization payment." Consistent with these amortization assumptions, Part TT of Chapter 57 of the Laws of 2010 requires that: a) the State make "additional contributions" in upcoming fiscal years, above the actuarially required contribution, and b) once all outstanding amortizations are paid off, that additional contributions will be set aside as "reserves for rate increases", to be invested by the State Comptroller and used to offset future year rate increases. Projections in the table below are based on certain assumptions about actuarial factors on investment earnings and benefits to be paid, and actual results may vary from the projections provided below.

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM*
PENSION CONTRIBUTIONS AND OUTYEAR PROJECTIONS
(millions of dollars)

Fiscal Year	Normal Costs**	New Amortized Amounts	Amortization Payment	Additional Contributions	Total	Reserves for Rate Increases	Plus Interest at 5%
2010-11 Actual	1,552.4	(249.0)	0.0	0.0	1,303.4	0.0	0.0
2011-12 Projected	2,105.9	(634.6)	32.4	0.0	1,503.7	0.0	0.0
2012-13 Projected	2,454.0	(877.8)	114.7	0.0	1,690.9	0.0	0.0
2013-14 Projected	2,832.9	(1,118.7)	228.7	0.0	1,942.9	0.0	0.0
2014-15 Projected	3,088.3	(1,221.2)	373.6	0.0	2,240.7	0.0	0.0
2015-16 Projected	2,734.1	(759.0)	532.2	0.0	2,507.3	0.0	0.0
2016-17 Projected	2,480.4	(414.0)	630.5	0.0	2,696.9	0.0	0.0
2017-18 Projected	2,393.0	(143.8)	684.1	0.0	2,933.3	0.0	0.0
2018-19 Projected	2,360.4	0.0	684.1	80.5	3,125.0	0.0	0.0
2019-20 Projected	2,082.1	0.0	656.0	321.6	3,059.8	0.0	0.0
2020-21 Projected	1,662.1	0.0	545.2	699.9	2,907.2	0.0	0.0
2021-22 Projected	1,104.1	0.0	347.2	1,182.4	2,633.7	0.0	0.0
2022-23 Projected	1,036.3	0.0	23.5	1,168.0	2,227.8	1,136.3	1,193.1
2023-24 Projected	1,005.9	0.0	0.0	1,109.4	2,115.3	2,245.7	2,417.7
2024-25 Projected	993.1	0.0	0.0	1,025.7	2,018.8	3,271.4	3,615.5
2025-26 Projected	957.0	0.0	0.0	957.8	1,914.8	4,229.2	4,802.0

Source: NYS DOB
*Pension contribution values do not include pension costs related to the Optional Retirement Program and Teachers' Retirement System for SUNY and SED, whereas the projected pension disbursements in the Financial Plan tables presented in this AIS include these costs. Pension contribution values include the State's Office of Court Administration (OCA)
**Includes amortization payments from amortizations prior to FY 2011.

OTHER POST EMPLOYMENT BENEFITS (OPEB)

Substantially all of the State's employees become eligible for post-retirement benefits if they reach retirement while working for the State. In accordance with the Governmental Accounting Standards Board Statement 45 (GASBS 45), the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for FY 2010, the Annual Required Contribution (ARC) represents the annual level of funding that, if set aside on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated with interest as part of the net OPEB obligation (after adjusting for amounts previously required).

As reported in the State's Basic Financial Statements for FY 2010, an actuarial valuation of OPEB liabilities was performed as of April 1, 2008, with results projected to April 1, 2009 for the fiscal year ended March 31, 2010. The valuation 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). This was determined using the Frozen Entry Age actuarial cost method, and is amortized over an open period of 30 years using the level percentage of projected payroll amortization method.

The net OPEB liability for FY 2010 totaled $3.3 billion ($2.7 billion for the State and $0.6 billion for SUNY) under the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. 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 FY 2010. This difference between the State's PAYGO costs and the actuarially determined required annual contribution under GASBS 45 reduced the State's then positive net asset condition at the end of FY 2010 by $2.1 billion.

The State's actuarial consultant has provided an updated calculation of the ARC and annual OPEB costs. The updated calculation shows the present value of the actuarially accrued total liability for benefits at $60.2 billion ($50.1 billion for the State and $10.1 billion for SUNY). The updated calculation will ultimately be reflected in the financial statements for the State and SUNY for FY 2011. In future updates to this calculation, DOB expects the estimate of OPEB costs to increase substantially. The causes of this anticipated increase include: higher assumed increases in the cost of health care, implementation of the Federal Patient Protection and Affordable Care Act, and decreased interest rates.

GASBS 45 does not require the additional costs to be funded on the State's budgetary basis, and no increased funding is assumed for this purpose in the Enacted Budget 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 following table summarizes the actual budgeted and projected payments for health insurance in the Enacted Budget Financial Plan.

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

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)	1,609	1,072	2,681
2010-11 (Actual)	1,834	1,221	3,055
2011-12 (Projected)	2,144	1,285	3,429
2012-13 (Projected)	2,367	1,418	3,785
2013-14 (Projected)	2,575	1,543	4,118

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

As noted, there is no provision in the Enacted Budget Financial Plan to pre-fund the OPEB liability. The State's Health Insurance Council, which consists of the Governor's Office of Employee Relations (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 circumstances.

DEBT REFORM ACT LIMIT

The Debt Reform Act of 2000 limits outstanding State-supported debt to no greater than 4 percent of New York State personal income, and debt service on State-supported debt to no greater than 5 percent of All Governmental Funds receipts. The limits apply to all State-supported debt issued on or after April 1, 2000. The State estimates that $32.8 billion of State-supported debt outstanding was subject to the limit as of March 31, 2011, which is equal to approximately 3.5 percent of personal income. Debt service subject to the limit will be approximately $3.1 billion, equal to 2.4 percent of All Governmental Funds receipts.

Based on the updated forecast, debt outstanding and debt service costs over the Financial Plan period are expected to remain below the limits imposed by the Debt Reform Act. However, the available room under the debt outstanding cap is expected to decline from $5.0 billion in FY 2011 to approximately $1.1 billion in FY 2013 and FY 2014. The estimates do not include the potential impact of new capital spending that may be authorized in future budgets, or efforts to curtail existing bonded programs. The debt reform projections are sensitive to changes in State personal income levels. Measures to adjust capital spending and debt financing practices are expected to continue to be needed for the State to stay in compliance with the statutory limit on debt outstanding. The table below reflects the State's estimated and projected t available debt capacity (after factoring in the SUNY transaction described below, which would add $152 million to the State’s outstanding debt), and other adjustments, such as changes to projected bond-financed capital spending and to estimated growth in State personal income over the plan period.

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal Income	Cap %	Cap $	Debt Outstanding Since April 1, 2000	$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
2010-11	946,054	4.00%	37,842	32,824	5,018	3.47%	0.53%	18,808	51,632
2011-12	990,586	4.00%	39,623	37,080	2,543	3.74%	0.26%	17,196	54,276
2012-13	1,026,944	4.00%	41,078	39,909	1,169	3.89%	0.11%	15,605	55,513
2013-14	1,079,719	4.00%	43,189	42,119	1,070	3.90%	0.10%	14,011	56,130
2014-15	1,137,630	4.00%	45,505	43,810	1,695	3.85%	0.15%	12,417	56,227
2015-16	1,197,873	4.00%	47,915	45,259	2,656	3.78%	0.22%	10,880	56,139

SUNY ACQUISITION OF LONG ISLAND COLLEGE HOSPITAL (LICH) AND ASSUMPTION OF DEBT

SUNY is expected to take possession of LICH, a 500-licensed-bed facility located in Brooklyn, New York by May 29, 2011. The operations of LICH are expected to be merged into those of SUNY's Downstate Medical Center. As part of the transaction, which has been approved by the State Comptroller, DOB, and the Attorney General, SUNY will assume outstanding LICH debt of $152 million. Annual debt service on this debt is expected to total approximately $17 million. Based on the structure of the transaction, once the debt is assumed by the State it will be classified as State-supported debt and subject to the State's statutory debt limits.

BOND MARKET

Implementation of the Enacted Budget Financial Plan is dependent on the State's ability to market its bonds successfully. The State finances much of its capital spending in the first instance from the General Fund or STIP, which it then reimburses with proceeds from the sale of general obligation or other State-supported bonds. If the State cannot sell bonds at the levels (or on the timetable) expected in the capital plan, it can adversely affect the State's overall cash position and capital funding plan. The success of projected public sales will be subject to prevailing market conditions. Future developments in the financial markets generally, as well as future developments concerning the State, and public discussion of such developments, may affect the market for outstanding State-supported and State-related debt.

LITIGATION

Litigation against the State may include potential challenges to the constitutionality of various actions. The State may also be affected by adverse decisions that are the result of various lawsuits. Such litigation may not meet the materiality threshold (or a determination of materiality is not possible to make at this time) to warrant individual description in this AIS but, in the aggregate, could still adversely affect the State's Enacted Budget Financial Plan. See "Litigation and Arbitration" herein.

FEDERAL FUNDING

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes. The Enacted Budget Financial Plan assumes relatively stable levels of Federal aid over the forecast period. Changes in Federal funding levels could have a materially adverse impact on the Enacted Budget Financial Plan.

The Enacted Budget 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. The Federal Centers for Medicare and Medicaid Services (CMS) has engaged the State regarding claims for services provided to individuals in developmental centers operated by OPWDD. Although no official audit has commenced and the rates paid for these services are established in full accordance with the methodology set forth in the approved State Plan, adverse action by CMS relative to these claims could jeopardize a significant amount of Federal financial participation in the State Medicaid program. The State has begun the process of seeking CMS approval to proceed with the development of a new demonstration waiver to create a contemporary and sustainable system of service funding and delivery for individuals with developmental disabilities. In addition, the Enacted Budget Financial Plan assumes a Medicaid rate increase in FY 2012 to cover the cost of continuing to provide services to individuals residing in State Development Centers. This increase is primarily attributable to a volume adjustment related to the State's on-going efforts to move individuals with developmental disabilities into more individualized community-based residential settings. An adverse decision regarding this rate increase would jeopardize approximately $150 million in Federal Financial Participation currently assumed in the Enacted Budget Financial Plan.

HEALTH INSURANCE COMPANY CONVERSIONS

State law permits a health insurance company to convert its organizational status from a not-for-profit to a for-profit corporation (a "health care conversion"), subject to a number of terms, conditions, and approvals. Under State law, the State must use the proceeds from a health care company conversion for health-care-related expenses included in the HCRA account. For planning purposes, the Enacted Budget Financial Plan assumes no proceeds from a health care conversion in FY 2012, but counts on proceeds of approximately $250 million annually in future years of the plan, which would be deposited into HCRA. If a conversion does not occur on the timetable or at the levels assumed in the Enacted Budget Financial Plan, the State would be required to take other actions to increase available resources or to reduce planned spending to fund projected HCRA disbursements.

LABOR SETTLEMENTS

The Enacted Budget Financial Plan for FY 2012 includes a reserve of $346 million to cover the costs of a pattern settlement with all unions that have not agreed to contracts for FY 2008 through FY 2011. The pattern is based on the terms agreed to by the State's largest unions for this period. There can be no assurance that actual settlements, some of which are subject to binding arbitration, will not exceed the amounts included in the Enacted Budget Financial Plan. An additional risk is the potential cost of salary increases for judges which could occur in FY 2013 and beyond as a result of the actions of a statutorily authorized judicial compensation commission. The Enacted Budget Financial Plan does not include any costs for potential general wage increases after the current labor agreements expire or for salary increases for judges.

FINANCIAL PLAN PROJECTIONS
FISCAL YEARS 2012 THROUGH 2015

INTRODUCTION

This section presents the State's updated multi-year Financial Plan projections for receipts and disbursements, reflecting the impact of the FY 2012 Enacted Budget actions. The projections cover the period for FYs 2012 through 2015, with an emphasis on the FY 2012 projections.

The State's cash-basis budgeting system, complex fund structure, and practice of earmarking certain tax receipts for specific purposes complicates the discussion of the State's receipts and disbursement projections. Therefore, to minimize the distortions caused by these factors and, equally important, to highlight relevant aspects of the projections, DOB has adopted the following approaches in summarizing the projections:

- **Receipts**: The detailed discussion of tax receipts covers projections for both the General Fund and State Funds (including capital projects). The latter perspective reflects overall estimated tax receipts before their diversion among various funds and accounts, including tax receipts dedicated to capital projects funds (which fall outside of the General Fund and State Operating Funds accounting perspectives). DOB believes this presentation provides a clearer picture of projected receipts, trends and forecast assumptions, by factoring out the distorting effects of earmarking.

- **Disbursements:** Over 40 percent of projected State-financed 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. To provide a clearer picture of spending commitments, the multi-year projections and growth rates are presented, where appropriate, on both a General Fund and State Operating Funds basis. The projections for School Aid and Medicaid reflect the FY 2012 Enacted Budget spending limitations, as described earlier.

In evaluating the State's multi-year operating forecast, it should be noted that the reliability of the estimates and projections as a predictor of the State's future financial position is likely to diminish the further removed such estimates and projections are from the date of this AIS. Accordingly, in terms of the outyear projections, FY 2013 is the most relevant from a planning perspective.

SUMMARY

DOB estimates that the Enacted Budget provides for a balanced General Fund Financial Plan in FY 2012 and leaves projected gaps that total approximately $2.4 billion in FY 2013, $2.8 billion in FY 2014, and $4.6 billion in FY 2015. The projected net operating shortfalls in State Operating Funds are projected at $1.8 billion in FY 2013, $2.1 billion in FY 2014, and $3.8 billion in FY 2015.

The imbalances projected for the General Fund and State Operating Funds in future years are similar because the General Fund is the financing source of last resort for many State programs. Imbalances in other funds are typically financed by the General Fund.

The following tables present the multi-year projections and growth rates for the General Fund and State Operating Funds, as well as a reconciliation between the State Operating Funds projections and the General Fund budget gaps. It is followed by a summary of the multi-year receipts and disbursement forecasts.

GENERAL FUND PROJECTIONS

MULTI-YEAR GENERAL FUND PROJECTIONS (millions of dollars)	2010-11	2011-12	2012-13	2013-14	2014-15
Receipts					
Taxes (After Debt Service)	49,529	53,137	53,893	56,705	58,201
Miscellaneous Receipts/Federal Grants	3,149	3,158	2,977	2,556	2,126
Other Transfers	1,769	998	772	615	610
Total Receipts	**54,447**	**57,293**	**57,642**	**59,876**	**60,937**
Disbursements					
Local Assistance Grants	37,206	38,888	40,115	41,996	43,734
School Aid	16,645	16,802	17,197	18,030	18,876
Other Education Aid	1,459	1,732	1,904	1,993	2,060
Higher Education	2,448	2,578	2,715	2,804	2,891
Medicaid (incl. administration)	7,478	10,236	10,456	11,009	11,458
Public Health/Aging	765	852	891	881	886
Mental Hygiene	2,239	1,881	1,978	2,161	2,280
Social Services	2,859	3,117	3,441	3,721	3,885
Local Government Assistance	776	767	797	787	787
All Other [1]	2,537	923	736	610	611
State Operations	7,973	7,356	7,951	7,915	8,210
Personal Service	6,151	5,560	5,773	5,879	6,047
Non-Personal Service	1,822	1,796	2,178	2,036	2,163
General State Charges	4,187	4,668	5,126	5,499	5,660
Pensions	1,470	1,670	1,857	2,113	2,411
Health Insurance (Active Employees)	1,834	2,144	2,367	2,575	2,592
Health Insurance (Retired Employees)	1,221	1,285	1,418	1,543	1,553
All Other	(338)	(431)	(516)	(732)	(896)
Transfers to Other Funds	6,007	6,020	6,738	7,160	7,796
State Share Medicaid	2,497	3,032	3,119	3,082	3,082
Debt Service	1,737	1,449	1,712	1,658	1,566
Capital Projects	932	800	1,168	1,361	1,456
SUNY- Hospital Medicaid	207	200	200	200	200
Judiciary Funds	131	119	119	121	123
Banking Services	74	55	55	55	55
Financial Management System	5	42	55	55	55
Indigent Legal Services	45	40	40	40	40
Mental Hygiene	0	0	0	317	869
All Other	379	283	270	271	350
Total Disbursements	**55,373**	**56,932**	**59,930**	**62,570**	**65,400**
Change in Reserves	**(926)**	**361**	**91**	**142**	**142**
Prior-Year Labor Agreements (2007-11)	0	346	142	142	142
Community Projects Fund	40	(85)	(51)		
Rainy Day Fund	0	100			
Reserved for Deferred Payments	(906)				
Reserved for Debt Management	(60)				
Budget Surplus/(Gap) Before Actions	**0**	**0**	**(2,379)**	**(2,836)**	**(4,605)**

[1] All other includes school aid deferral and local aid spending in a number of other programs, including parks and the environment, economic development, and public safety.

STATE OPERATING FUNDS PROJECTIONS

STATE OPERATING FUNDS PROJECTIONS (millions of dollars)	2010-11	2011-12	2012-13	2013-14	2014-15
Receipts:					
Taxes	59,532	63,615	64,901	68,139	70,093
Personal Income Tax	36,209	39,059	39,210	41,440	43,189
User Taxes and Fees	13,608	14,059	14,510	14,976	15,464
Business Taxes	6,657	7,544	8,024	8,338	7,828
Other Taxes	3,058	2,953	3,157	3,385	3,612
Miscellaneous Receipts/Federal Grants	19,260	19,399	20,126	20,135	19,982
Total Receipts	**78,792**	**83,014**	**85,027**	**88,274**	**90,075**
Disbursements:					
Local Assistance Grants	55,295	57,761	59,893	62,387	64,750
School Aid	19,788	19,686	20,250	21,151	22,018
STAR	3,234	3,293	3,322	3,510	3,693
Other Education Aid	1,474	1,744	1,912	2,000	2,067
Higher Education	2,470	2,594	2,715	2,804	2,891
Medicaid (DOH incl. administration)	11,915	15,280	15,894	16,531	17,192
Public Health/Aging	2,015	2,121	2,139	2,174	2,216
Mental Hygiene	3,578	3,601	3,853	4,169	4,370
Social Services	2,869	3,129	3,452	3,722	3,886
Transportation	4,254	4,236	4,325	4,405	4,495
Local Government Assistance	776	767	797	787	787
All Other [1]	2,922	1,310	1,234	1,134	1,135
State Operations	17,387	16,728	17,545	17,708	18,194
Personal Service	12,422	11,677	11,971	12,174	12,468
Non-Personal Service	4,965	5,051	5,574	5,534	5,726
General State Charges	6,102	6,530	7,125	7,644	7,990
Pensions	1,470	1,670	1,857	2,113	2,411
Health Insurance (Active Employees)	1,834	2,144	2,367	2,575	2,592
Health Insurance (Retired Employees)	1,221	1,285	1,418	1,543	1,553
All Other	1,577	1,431	1,483	1,413	1,434
Debt Service	5,615	5,855	6,332	6,498	6,551
Capital Projects	18	5	5	5	5
Total Disbursements	**84,417**	**86,879**	**90,900**	**94,242**	**97,490**
Net Other Financing Sources/(Uses)	**4,784**	**4,431**	**4,091**	**3,892**	**3,581**
Net Operating Surplus/(Deficit)	**(841)**	**566**	**(1,782)**	**(2,076)**	**(3,834)**
Reconciliation to General Fund Gap:					
Designated Fund Balances	**841**	**(566)**	**(597)**	**(760)**	**(771)**
General Fund	926	(361)	(91)	(142)	(142)
Special Revenue Funds	(42)	(85)	(404)	(512)	(483)
Debt Service Funds	(43)	(120)	(102)	(106)	(146)
General Fund Budget Gap	**0**	**0**	**(2,379)**	**(2,836)**	**(4,605)**

[1] All other includes school aid deferral and local aid spending in a number of other programs, including parks and the environment, economic development, and public safety.

FISCAL YEAR 2012 OVERVIEW

RECEIPTS

Financial Plan receipts comprise a variety of taxes, fees, and charges for State-provided services, Federal grants, and other miscellaneous receipts. The receipts estimates and projections have been prepared by DOB 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.

Tax receipts are expected to grow at an average annual rate of approximately 4.2 percent over the multi-year Financial Plan. The tax forecast reflects the sunset of the PIT surcharge after tax year 2011, and an expected continuation of modest economic growth in the New York State economy.

OVERVIEW OF THE RECEIPTS FORECAST

- During the first calendar quarter of 2011 New York's recovery continued to gather momentum, with employment and wages registering their fourth and fifth consecutive quarters of growth, respectively. As a result of this growth and accompanying changes in consumer spending and corporate profits, receipts are expected to grow for the second consecutive year in FY 2012.

- After declining 12.3 percent in FY 2010, base receipts adjusted for tax law changes, grew by 2.1 percent in FY 2011 and are expected to increase by 7.5 percent in FY 2012.

- Corporate profits are expected to record a second consecutive year of growth in calendar year 2011, albeit at a reduced rate compared to 2010. This is expected to translate into continued growth in business tax receipts in FY 2012.

- Both the PIT settlement for tax year 2010 and first quarter 2011 financial sector bonus payments surpassed expectations (compared to the State's last public Financial Plan) and provide the basis for 2011 PIT liability growth of 7.2 percent. A portion of the PIT settlement appears related to the impact of capital gains realized during late 2010 in anticipation of the end of preferential Federal tax rates. This is likely a one-time benefit to revenue results. These lower rates were ultimately extended, but not until December 7, 2010.

- After a decline of 1.6 percent in FY 2010, consumer spending on taxable goods and services rose 7.5 percent in FY 2011 and is estimated to rise 5.4 percent in FY 2012.

- The volatility in oil prices due to the situation in some oil-exporting countries presents a downside risk to the receipts forecast. The uncertainty surrounding fuel prices over the near-term horizon could result in slower receipts growth than anticipated.

- While receipts growth has improved, results to date reflect growth compared to the weak receipts base of the past three fiscal years.

The table below summarizes the receipts projections for FY 2012 and FY 2013.

TOTAL RECEIPTS (millions of dollars)	2010-11 Results	2011-12 Enacted	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund	**54,448**	**57,293**	**2,845**	**5.2%**	**57,642**	**349**	**0.6%**
Taxes	39,205	42,237	3,032	7.7%	43,009	772	1.8%
Miscellaneous Receipts	3,095	3,098	3	0.1%	2,917	(181)	-5.8%
Federal Grants	55	60	5	9.1%	60	0	0.0%
Transfers	12,093	11,898	(195)	-1.6%	11,656	(242)	-2.0%
State Funds	**83,981**	**88,396**	**4,415**	**5.3%**	**90,109**	**1,713**	**1.9%**
Taxes	60,870	64,976	4,106	6.7%	66,293	1,317	2.0%
Miscellaneous Receipts	22,993	23,275	282	1.2%	23,671	396	1.7%
Federal Grants	118	145	27	22.9%	145	0	0.0%
All Funds	**133,322**	**131,688**	**(1,634)**	**-1.2%**	**129,768**	**(1,920)**	**-1.5%**
Taxes	60,870	64,976	4,106	6.7%	66,293	1,317	2.0%
Miscellaneous Receipts	23,147	23,407	260	1.1%	23,802	395	1.7%
Federal Grants	49,305	43,305	(6,000)	-12.2%	39,673	(3,632)	-8.4%

Base growth in tax receipts of 7.5 percent is estimated for FY 2012, after adjusting for law changes, and is projected to be 7.2 percent in FY 2013. These projected increases in overall base growth in tax receipts are dependent on many factors, including: continued growth in a broad range of economic activities; improving profitability and compensation gains, particularly among financial services companies; 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)	2010-11 Results	2011-12 Enacted	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund[1]	**23,894**	**26,001**	**2,107**	**8.8%**	**26,085**	**84**	**0.3%**
Gross Collections	44,002	46,901	2,899	6.6%	47,417	516	1.1%
Refunds/Offsets	(7,793)	(7,842)	(49)	0.6%	(8,207)	(365)	4.7%
STAR	(3,263)	(3,292)	(29)	0.9%	(3,322)	(30)	0.9%
RBTF	(9,052)	(9,766)	(714)	7.9%	(9,803)	(37)	0.4%
State Funds	**36,209**	**39,059**	**2,850**	**7.9%**	**39,210**	**151**	**0.4%**
Gross Collections	44,002	46,901	2,899	6.6%	47,417	516	1.1%
Refunds/Offsets	(7,793)	(7,842)	(49)	0.6%	(8,207)	(365)	4.7%

[1] Excludes Transfers.

PIT receipts for FY 2012 are projected to be $39.1 billion, an increase of $2.9 billion, or 7.9 percent above FY 2011. This increase reflects stronger growth in extension payments for tax year 2010 ($1.2 billion), stronger growth in estimated payments for tax year 2011 ($944 million) and higher FY 2011 refunds caused by the deferral of $500 million of planned FY 2010 refunds into FY 2011. Withholding, the largest component of PIT is also projected to be 1.8 percent ($562 million) higher than FY 2011, reflecting a combination of moderate underlying wage growth of 4.0 percent and the expiration of the temporary rate increase at the end of December 2011.

USER TAXES AND FEES

USER TAXES AND FEES (millions of dollars)	2010-11 Results	2011-12 Enacted	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund[1,2]	**8,795**	**9,105**	**310**	**3.5%**	**9,382**	**277**	**3.0%**
Sales Tax	8,085	8,380	295	3.6%	8,626	246	2.9%
Cigarette and Tobacco Taxes	480	492	12	2.5%	518	26	5.3%
Alcoholic Beverage Taxes	230	233	3	1.3%	238	5	2.1%
State Funds	**14,205**	**14,672**	**467**	**3.3%**	**15,129**	**457**	**3.1%**
Sales Tax	11,538	11,915	377	3.3%	12,272	357	3.0%
Cigarette and Tobacco Taxes	1,616	1,686	70	4.3%	1,772	86	5.1%
Motor Fuel	516	511	(5)	-1.0%	515	4	0.8%
Highway Use Tax	129	144	15	11.6%	144	0	0.0%
Alcoholic Beverage Taxes	230	233	3	1.3%	238	5	2.1%
Taxicab Surcharge	81	81	0	0.0%	81	0	0.0%
Auto Rental Tax	95	102	7	7.4%	107	5	4.9%

[1] Excludes Transfers.

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

User taxes and fees receipts for FY 2012 are estimated to be $14.7 billion, an increase of $467 million or 3.3 percent from FY 2011. Sales tax receipts are expected to increase by $377 million due to base growth of 5.4 percent ($543 million) and incremental law changes ($43 million). This increase is offset in part by the sunset of a provision that temporarily eliminated the exemption on the per-item price of clothing ($120 million) and other adjustments ($89 million). The exemption on clothing will be $55 in FY 2012, increasing to $110 in FY 2013. Non-sales tax user taxes and fees are estimated to increase by $90 million from FY 2011, mainly due to the full implementation of the cigarette and tobacco tax rate increases as well as assumed part-year enforcement of provisions enacted in FY 2011. Highway use tax receipts are estimated to increase by $15 million due to additional enforcement efforts, including carrier decal requirements. User taxes and fees receipts for FY 2013 are projected to be $15.1 billion, an increase of $457 million, or 3.1 percent from FY 2012. This increase largely reflects an increase in sales tax receipts ($357 million) and cigarette tax collections ($86 million).

General Fund user taxes and fees receipts are expected to total $9.1 billion in FY 2012, an increase of $310 million or 3.5 percent from FY 2011. The increase largely reflects an increase in sales tax receipts ($295 million) and cigarette and tobacco tax collections ($12 million).

BUSINESS TAXES

BUSINESS TAXES (millions of dollars)	2010-11 Results	2011-12 Enacted	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund	**5,278**	**6,101**	**823**	**15.6%**	**6,456**	**355**	**5.8%**
Corporate Franchise Tax	2,472	3,047	575	23.3%	3,178	131	4.3%
Corporation & Utilities Tax	616	681	65	10.6%	750	69	10.1%
Insurance Tax	1,217	1,266	49	4.0%	1,318	52	4.1%
Bank Tax	973	1,107	134	13.8%	1,210	103	9.3%
State Funds	**7,278**	**8,173**	**895**	**12.3%**	**8,677**	**504**	**6.2%**
Corporate Franchise Tax	2,846	3,463	617	21.7%	3,698	235	6.8%
Corporation & Utilities Tax	813	892	79	9.7%	964	72	8.1%
Insurance Tax	1,351	1,395	44	3.3%	1,451	56	4.0%
Bank Tax	1,178	1,317	139	11.8%	1,414	97	7.4%
Petroleum Business Tax	1,090	1,106	16	1.5%	1,150	44	4.0%

Business tax receipts for FY 2012 are estimated at $8.2 billion, an increase of $895 million, or 12.3 percent from the prior year. The estimates reflect base growth across all taxes from an improving economy as well as an incremental increase of $323 million from the deferral of certain tax credits that was part of the FY 2011 Enacted Budget. Adjusted for this deferral, growth is 7.8 percent.

The annual increase in the corporate franchise tax of $617 million is attributable to the incremental increase of $323 million from the tax credit deferral as well as continued growth in corporate profits. Corporate profits are expected to grow 7.0 percent in calendar year 2011. Higher audit receipts and lower refunds also contribute to growth in FY 2012. Corporate franchise tax growth adjusted for the credit deferral is 10.3 percent for FY 2012. Both the corporation and utilities tax and the insurance tax are expected to return to trend growth in FY 2012 after declines of 14.7 percent and 9.4 percent, respectively, in FY 2011. The economic downturn and several unusual items in the corporation and utilities tax in FY 2011 (e.g. a Tax Tribunal decision that resulted in a FY 2011 refund of $37 million) contributed to the year-over-year decline in these two taxes. The bank tax is estimated to grow 11.8 percent in FY 2012, consistent with the expected improvement in economic conditions and the credit markets.

Business tax receipts for FY 2013 of $8.7 billion are projected to increase $504 million, or 6.2 percent over the prior year reflecting growth across all business taxes.

General Fund business tax receipts for FY 2012 of $6.1 billion are estimated to increase by $823 million, or 15.6 percent above FY 2011 results. Business tax receipts deposited to the General Fund reflect the All Funds trends, and policy changes discussed above. General Fund business tax receipts for FY 2013 of $6.5 billion are projected to increase $355 million, or 5.8 percent from the prior year.

OTHER TAXES

OTHER TAXES (millions of dollars)							
	2010-11 Results	2011-12 Enacted	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund[1]	**1,237**	**1,030**	**(207)**	**-16.7%**	**1,085**	**55**	**5.3%**
Estate Tax	1,218	1,015	(203)	-16.7%	1,070	55	5.4%
Gift Tax	1	0	(1)	-100.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0.0%
Pari-Mutuel Taxes	17	14	(3)	-17.6%	14	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State Funds	**1,817**	**1,650**	**(167)**	**-9.2%**	**1,775**	**125**	**7.6%**
Estate Tax	1,218	1,015	(203)	-16.7%	1,070	55	5.4%
Gift Tax	1	0	(1)	-100.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0.0%
Real Estate Transfer Tax	580	620	40	6.9%	690	70	11.3%
Pari-Mutuel Taxes	17	14	(3)	-17.6%	14	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

[1] Excludes Transfers.

Other tax receipts for FY 2012 are estimated to be $1.7 billion, a decrease of $167 million or 9.2 percent from FY 2011. This reflects a decline of $203 million (16.7 percent) in estate tax receipts and $3 million (17.6 percent) in the pari-mutuel tax as a result of atypically large estate payments in FY 2011 and the closure of NYC Off Track Betting in December 2010, respectively. This decline is partially offset by growth of $40 million (6.9 percent) in the real estate transfer tax as a result of strong commercial activity and improving vacancy rates in New York City. Other tax receipts for FY 2013 are projected to be nearly $1.8 billion, an increase of $125 million or 7.6 percent from FY 2012. This reflects modest growth in the real estate transfer tax and estate tax receipts.

Other tax receipts in the General Fund are expected to be $1.0 billion in FY 2012, a decrease of $207 million or 16.7 percent from FY 2011. This reflects the declines in the estate tax and pari-mutuel taxes noted above. In FY 2013, other tax receipts in the General Fund are expected to total approximately $1.1 billion. This reflects an increase of $55 million in estate tax receipts due to a forecast increase in household net worth.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars)							
	2010-11 Results	2011-12 Enacted	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund	**3,150**	**3,158**	**8**	**0.3%**	**2,977**	**(181)**	**-5.7%**
Miscellaneous Receipts[1]	3,095	3,098	3	0.1%	2,917	(181)	-5.8%
Federal Grants	55	60	5	9.1%	60	0	0.0%
State Funds	**23,111**	**23,420**	**309**	**1.3%**	**23,816**	**396**	**1.7%**
Miscellaneous Receipts[1]	22,993	23,275	282	1.2%	23,671	396	1.7%
Federal Grants	118	145	27	22.9%	145	0	0.0%
All Funds	**72,452**	**66,712**	**(5,740)**	**-7.9%**	**63,475**	**(3,237)**	**-4.9%**
Miscellaneous Receipts[1]	23,147	23,407	260	1.1%	23,802	395	1.7%
Federal Grants	49,305	43,305	(6,000)	-12.2%	39,673	(3,632)	-8.4%

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

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 $23.4 billion in FY 2012, an increase of $260 million from FY 2011, largely driven by growth in SUNY Income Fund revenues ($375 million), which includes the anticipated acquisition of LICH and the incorporation of its financial activities within SUNY, partially offset by the decline or non-recurrence in other sources of miscellaneous receipts.

All Funds miscellaneous receipts are projected to increase by $395 million in FY 2013 driven by increases in HCRA resources ($544 million), SUNY Income Fund revenues ($238 million) and lottery receipts ($169 million), partially offset by a projected decline in programs financed with authority bond proceeds, including economic development and health projects ($331 million).

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, School Aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically plans for Federal reimbursement to be received in the State fiscal year in which spending occurs. All Funds Federal grants are projected to total $43.3 billion in FY 2012, a decline of $6.0 billion from FY 2011, reflecting the phase-out of extraordinary Federal stimulus aid, including enhanced FMAP. The expiration of Federal ARRA aid is the primary contributor to the All Funds Federal grant decline of $3.6 billion in FY 2013.

General Fund miscellaneous receipts and Federal grants collections are estimated to be nearly $3.2 billion in FY 2012, on par with FY 2011 results.

General Fund miscellaneous receipts for FY 2013 are projected to decline by $181 million from the current year, and primarily reflect the loss of certain one-time sweeps and payments expected in FY 2012.

DISBURSEMENTS

General Fund disbursements in FY 2012 are estimated to total $56.9 billion, an increase of $1.6 billion (2.8 percent) over preliminary FY 2011 results. With State Operating Funds disbursements for FY 2012 are estimated to total $86.9 billion, an increase of $2.5 billion (2.9 percent) over preliminary FY 2011 results.

The multi-year disbursement projections take into account 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 and projected economic conditions. Projections account for the timing of payments, since not all of the amounts appropriated in the Budget are disbursed in the same fiscal year. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agencies) 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 over time.

Over the multi-year Financial Plan, spending is expected to increase by an average annual rate of 4.3 percent in the General Fund and 3.7 percent in State Operating Funds. The projections reflect spending at the target growth rates for Medicaid and School Aid, and include a preliminary estimate of the effect of national health care reform on State health care costs. The growth in spending projections reflect 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.

Medicaid, education, pension costs, employee and retiree health benefits, social services programs and debt service are significant drivers of spending growth over the Plan period.

Selected assumptions used by DOB in preparing the spending projections for the State's major programs and activities are summarized in the following tables.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2012 THROUGH 2015

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES

	Results	Forecast[2]			
	2010-11	2011-12	2012-13	2013-14	2014-15
Medicaid					
Medicaid Coverage	4,437,840	4,667,275	4,939,712	5,238,126	5,558,859
Family Health Plus Coverage	400,534	412,958	428,096	443,235	458,374
Child Health Plus Coverage	402,892	420,892	438,892	456,892	474,892
State Takeover of County/NYC Costs ($ millions)[1]	$1,839	$2,386	$2,930	$3,513	$4,186
- Family Health Plus	$403	$441	$481	$525	$573
- Medicaid	$1,436	$1,945	$2,449	$2,988	$3,613
Education					
School Aid (School Year) ($000)	$20,924	$19,641	$20,446	$21,386	$22,220
Personal Income Growth Index	N/A	N/A	4.1%	4.6%	3.9%
Higher Education					
Public Higher Education Enrollment (FTEs)	574,350	585,837	585,837	591,695	597,612
Tuition Assistance Program Recipients	325,870	329,177	332,011	331,659	331,659
Welfare					
Family Assistance Caseload	374,338	368,666	364,255	360,860	357,728
Single Adult/No Children Caseload	164,832	163,057	160,692	158,866	157,438
Mental Hygiene					
Total: Mental Hygiene Community Beds	86,017	91,361	95,064	96,959	97,837
- OMH Community Beds	34,832	39,399	42,235	43,251	43,371
- OPWDD Community Beds	38,408	39,101	39,857	40,640	41,313
- OASAS Community Beds	12,777	12,861	12,972	13,068	13,153
Prison Population (Corrections)	56,144	56,300	56,300	56,300	56,300

1 Does not reflect 2010-11 results.
2 Projected by DOB.

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

	Results	Forecast[2]			
	2010-11	2011-12	2012-13	2013-14	2014-15
ERS Pension Contribution Rate:[3]					
Before Amortization	12.1%	16.7%	18.0%	20.0%	20.9%
After Amortization	9.5%	10.5%	11.5%	12.5%	13.5%
PFRS Pension Contribution Rate:					
Before Amortization	18.3%	22.1%	24.2%	26.4%	27.1%
After Amortization	17.5%	18.5%	19.5%	20.5%	21.5%
Employee/Retiree Health Insurance Growth Rates	13.3%	11.4%	8.5%	8.5%	8.5%
PS/Fringe as % of Receipts (All Funds Basis)	14.9%	14.8%	15.8%	15.7%	15.4%

[1] As percent of salary.
[2] Projected by DOB.

LOCAL ASSISTANCE GRANTS

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. State-funded local assistance spending is estimated at $57.8 billion in FY 2012 and accounts for over 65 percent of total State Operating Funds spending. Education and health care spending account for three-quarters of local assistance spending.

EDUCATION

SCHOOL AID

School Aid helps support elementary and secondary education for New York pupils enrolled in 676 major school districts throughout the State. State funding is provided to districts based on statutory aid formulas and through reimbursement of categorical expenses. This funding for schools assists districts in meeting locally defined needs, supports the construction of school facilities, and finances school transportation for nearly three million students statewide.

School Year (July 1 — June 30)

The FY 2012 Enacted Budget provides $19.6 billion in School Aid for the FY 2012 school year, which results in an annual State aid reduction of nearly $1.3 billion, or 6.1 percent. Total school spending is primarily financed through a combination of State and local funding and thus, the reduction in State aid represents 2.4 percent of total general fund operating expenditures projected to be made by school districts statewide in the current (FY 2011) school year. Without consideration of Federal Education Jobs Fund allocations made available to school districts in FY 2011, the year-to-year reduction in School Aid is $675 million or 3.3 percent. This amount represents 1.3 percent of total expenditures by school districts.

The Enacted Budget also includes a two-year appropriation and makes statutory changes to limit future School Aid increases to the rate of growth in New York state personal income. This allowable growth includes spending for new competitive grant programs to reward school districts that demonstrate significant student performance improvements or that undertake long-term structural changes to reduce costs and improve efficiency. Allowable growth also includes increases in expense-based aid programs (e.g., Building Aid, Transportation Aid) under existing statutory provisions. Any remaining amount of allowable growth can be allocated pursuant to a chapter of law for purposes including, but not limited to, additional spending for competitive grants, increases in Foundation Aid or restoration of the Gap Elimination Adjustment.

Under this growth cap, School Aid is projected to increase by an additional $805 million in FY 2013, and $940 million in FY 2014. School Aid is projected to reach an annual total of $22.2 billion in FY 2015.

FOUR-YEAR SCHOOL AID PROJECTION - SCHOOL YEAR BASIS
(millions of dollars)

	2010-11	2011-12	Annual $ Change	2012-13	Annual $ Change	2013-14	Annual $ Change	2014-15	Annual $ Change
Total School Aid	20,924	19,641	(1,283)	20,446	805	21,386	940	22,220	834
Percent Change			-6.1%		4.1%		4.6%		3.9%

State Fiscal Year

The State finances School Aid from General Fund revenues and from Lottery Fund receipts, including VLTs, which are accounted for and disbursed from a dedicated revenue account. Because the State fiscal year begins on April 1, the State typically pays approximately 70 percent of the annual school year commitment during the State fiscal year in which it is enacted, and pays the remaining 30 percent in the first three months of the following State fiscal year.

The table below summarizes the multi-year projected funding levels for School Aid on a State fiscal year basis. The total for FY 2011 is restated to exclude a $2.0 billion aid payment that was deferred from FY 2010.

SCHOOL AID - FISCAL YEAR BASIS (ADJUSTED)
STATE OPERATING FUNDS
(millions of dollars)

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Total State Funds	**19,788**	**19,686**	**-1%**	**20,250**	**3%**	**21,151**	**4%**	**22,018**	**4%**
General Fund Local Assistance [1]	16,645	16,802	1%	17,197	2%	18,029	5%	18,876	5%
Core Lottery Aid	2,108	2,200	4%	2,217	1%	2,224	0%	2,234	0%
VLT Lottery Aid	912	684	-25%	836	22%	898	7%	908	1%
General Fund Lottery Aid Guarantee	123	0	-100%	0	0%	0	0%	0	0%

[1] General Fund spending in FY 2011 is adjusted to exclude a $2.06B school aid payment deferred from FY 2010.

State spending for School Aid is projected to total $19.7 billion in FY 2012. In future years, receipts available to finance School Aid from lottery sales are expected to increase nominally. Increasing receipts from VLTs in FY 2013 and FY 2014 reflect the anticipated opening of a VLT facility at Aqueduct Racetrack by October 2011. In addition to State aid, school districts receive billions of dollars in Federal categorical aid.

SCHOOL TAX RELIEF PROGRAM

The STAR program provides school tax relief to taxpayers. The three components of STAR and their approximate shares in FY 2012 are: the basic school property tax exemption for homeowners with income under $500,000 (59 percent), the enhanced school property tax exemption for senior citizen homeowners with income under $79,050 (24 percent), and a flat refundable credit and rate reduction for New York City resident personal income taxpayers (17 percent).

STAR
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
STAR	**3,234**	**3,293**	**2%**	**3,322**	**1%**	**3,510**	**6%**	**3,693**	**5%**
Basic Exemption	1,875	1,933	3%	1,937	0%	2,046	6%	2,162	6%
Enhanced (Seniors)	760	790	4%	792	0%	836	6%	883	6%
New York City PIT	599	570	-5%	593	4%	628	6%	648	3%

The STAR program exempts the first $30,000 of every eligible homeowner's property value from the local school tax levy. Lower-income senior citizens receive a $60,100 exemption. Spending for the STAR property tax exemption reflects reimbursements made to school districts to offset the reduction in property tax revenues.

The Enacted Budget Financial Plan limits the overall annual increase in a qualifying homeowner's STAR exemption benefit to 2 percent. The multi-year Financial Plan also reflects annual savings from the implementation of an income limitation on STAR benefits, which excludes all homeowners who earn more than $500,000 a year from receiving the STAR property tax exemption, and reduces the benefit for New York City resident personal income taxpayers with annual income over $500,000.

OTHER EDUCATION AID

In addition to School Aid, the State provides funding and support for various other education-related initiatives. These include: special education services; prekindergarten through grade 12 education programs; cultural education; higher and professional education programs; and adult career and continuing education services.

Major programs under the Office of Prekindergarten through Grade 12 Education address specialized student needs or reimburse school districts for education-related services, including the school breakfast and lunch programs, non-public school aid, and various special education programs. In special education, New York provides a full spectrum of services to over 400,000 students from ages 3 to 21. Higher and professional education programs monitor the quality and availability of postsecondary education programs and regulate the licensing and oversight of 48 professions.

EDUCATION
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Special Education	**924**	**1,197**	**30%**	**1,373**	**15%**	**1,456**	**6%**	**1,529**	**5%**
Pre-School Special Education	939	870	-7%	922	6%	978	6%	1,036	6%
ARRA Fiscal Stabilization	(327)	0	-100%	0	0%	0	0%	0	0%
Summer School Programs	208	292	40%	322	10%	343	7%	352	3%
Blind and Deaf	104	35	-66%	129	269%	135	5%	141	4%
All Other Education	**550**	**547**	**-1%**	**539**	**-1%**	**544**	**1%**	**538**	**-1%**
Higher Education Programs	100	86	-14%	86	0%	86	0%	86	0%
Non-Public School Aid	112	107	-4%	104	-3%	104	0%	104	0%
Cultural Education Programs	92	93	1%	93	0%	93	0%	93	0%
Vocational Rehabilitation	91	82	-10%	82	0%	82	0%	82	0%
School Nutrition	35	36	3%	37	3%	37	0%	38	3%
Other Education Programs	120	143	19%	137	-4%	142	4%	135	-5%

Spending for special education is expected to increase as program costs and enrollment rise. Other education spending is affected by the phase-out of Federal ARRA Stabilization Funds. In FY 2012, school districts will finance the costs associated with schools for the blind and deaf in the first instance and will be partially reimbursed by the State in the first quarter of the FY 2013 State fiscal year, which drives a significant annual increase in FY 2013 spending.

HIGHER EDUCATION

Local assistance for higher education spending includes funding for CUNY, SUNY and HESC. The State provides assistance for CUNY's senior college operations, and works in conjunction with the City of New York to support CUNY's community colleges. The CUNY system is the largest urban public university system in the nation. Funding for SUNY supports 30 community colleges across multiple campuses.

The State also provides a sizeable benefit to SUNY and CUNY through the debt service it pays on bond-financed capital projects at the universities. This is not reflected in the annual spending totals for the universities. State debt service payments for higher education are expected to total over $1 billion in FY 2012.

HESC administers the TAP program that provides awards to income-eligible students, and the New York Higher Education Loan Program (NYHELPS). It also provides centralized processing for other student financial aid programs, and offers prospective students information and guidance on how to finance a college education. The financial aid programs that HESC administers are funded by the State and the Federal government.

HIGHER EDUCATION
STATE OPERATING FUNDS LOCAL ASSISTANCE SPENDING PROJECTIONS
(millions of dollars)

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
City University:	**1,183**	**1,205**	**2%**	**1,299**	**8%**	**1,389**	**7%**	**1,477**	**6%**
Community College Aid	187	178	-5%	179	1%	179	0%	179	0%
ARRA Fiscal Stabilization	(32)	0	-100%	0	0%	0	0%	0	0%
Operating Aid to NYC (Senior Colleges)[1]	1,028	1,025	0%	1,118	9%	1,208	8%	1,296	7%
Community Projects	0	2	0%	2	0%	2	0%	2	0%
Higher Education Services:	**814**	**906**	**11%**	**967**	**7%**	**966**	**0%**	**965**	**0%**
Tuition Assistance Program	801	831	4%	911	10%	910	0%	909	0%
ARRA Fiscal Stabilization	(50)	0	-100%	0	0%	0	0%	0	0%
Aid for Part Time Study	11	12	9%	12	0%	12	0%	12	0%
Scholarships/Awards	29	47	62%	44	-6%	44	0%	44	0%
Other	23	16	-30%	0	-100%	0	**0%**	0	0%
State University:	**473**	**483**	**2%**	**449**	**-7%**	**449**	**0%**	**449**	**0%**
Community College Aid	451	441	-2%	439	0%	439	0%	439	0%
ARRA Fiscal Stabilization	(83)	0	-100%	0	0%	0	0%	0	0%
Hospital Subsidy[2]	96	32	-67%	0	-100%	0	0%	0	0%
Other	9	10	11%	10	0%	10	0%	10	0%

[1] State support for SUNY 4-year institutions is funded through State operations rather than local assistance.
[2] Beginning in academic year 2011-12, the SUNY hospital subsidy will be funded as a transfer from General Fund State operations rather than local assistance.

Growth in spending for higher education over the plan period largely reflects aid to New York City for reimbursement of CUNY senior college operating expenses associated with the rising contribution rates for fringe benefits. Spending growth for tuition assistance reflects the impact of upward trends in student enrollment at institutions of higher education.

HEALTH CARE

Local assistance for health care-related spending includes Medicaid, statewide public health programs and a variety of mental hygiene programs. DOH works with the local health departments and social services departments, including New York City, to coordinate and administer statewide health insurance programs and activities. The majority of government-financed health care programs are included under DOH, but many programs are supported through multi-agency efforts. The Medicaid program finances inpatient hospital care, outpatient hospital services, clinics, nursing homes, managed care, prescription drugs, home care, family health plus (FHP), and services provided in a variety of community-based settings (including mental health, substance abuse treatment, developmental disabilities services, school-based services and foster care services). The State share of Medicaid spending is budgeted and expended principally through DOH, but State share Medicaid spending also appears in the mental hygiene agencies, child welfare programs, and School Aid. Medicaid spending is reported separately in the Financial Plan tables for each of the agencies.

In addition, health care-related spending appears in State Operations and GSCs for purposes such as health insurance premiums for State employees and retirees, services delivered to inmates, and services provided in State-operated facilities.

MEDICAID

Medicaid is a means-tested program that finances health care services for low-income individuals and long-term care services for the elderly and disabled, primarily through payments to health care providers. The Medicaid program is financed jointly by the State, the Federal government, and local governments (including New York City). New York's Medicaid spending is projected to total approximately $52.6 billion in FY 2012, including the local contribution.[5]

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS [1]
(millions of dollars)

	2010-11	2011-12	2012-13	2013-14	2014-15
Department of Health	11,915	15,280	15,894	16,531	17,192
State Share Without FMAP	15,863	15,633	15,640	16,531	17,192
Enhanced FMAP	(3,948)	(353)	254	0	0
Mental Hygiene	5,677	5,752	5,979	6,297	6,568
Education	29	0	0	0	0
Foster Care	69	111	121	132	138
State Operations - Contractual Expenses[2]	23	46	46	46	46
State Share Total	**17,713**	**21,189**	**22,040**	**23,006**	**23,944**
Annual $ Change - Total State Share		3,476	851	966	938
Annual % Change - Total State Share		19.6%	4.0%	4.4%	4.1%
Annual $ Change - DOH Only		3,365	614	637	661
Annual % Change - DOH Only		28.2%	4.0%	4.0%	4.0%

[1] To conform the Financial Plan classification of State Operating Funds spending to the classification followed by the State Comptroller, approximately $3 billion in Medicaid spending supported by a transfer from Federal Funds to the State Mental Hygiene Patient Income Account is now classified as State spending.

[2] Includes operational costs that support contracts related to the management of the Medicaid program and various activities to ensure appropriate utilization.

The Financial Plan projections assume that spending growth is limited to 4 percent annually for DOH State Medicaid spending beginning annually in State FY 2013. This reflects the target growth rate for Medicaid proposed in the Enacted Budget, which is the ten-year average change in the medical component of the CPI. Statutory changes adopted with the budget grant the Executive certain statutory powers to hold Medicaid spending to this rate. This statutory authority expires after two years; however, the cap remains in place and the Financial Plan assumes that statutory authority will be extended in subsequent years.

DOH Medicaid growth over the plan period is affected by estimates of increasing Medicaid enrollment, rising costs of provider health care services (particularly in managed care), and higher levels of utilization, as well as the expiration of enhanced levels of Federal aid.[6] The number of Medicaid recipients, including FHP, is expected to exceed 6.0 million at the end of FY 2015, an increase of 24.4 percent from the FY 2011 caseload of 4.8 million. The expiration of the enhanced FMAP is expected to result in an increase of State-share spending of over $600 million from FY 2012 to FY 2013, primarily due to the reconciliation of costs between the State and counties related to the Medicaid cap.

[5] The local contribution to the Medicaid program is not included in the State's Financial Plan. Since January 2006, the State has paid the entire non-Federal share of the FHP program and any annual Medicaid increases above a fixed level for counties. In accordance with these statutory indexing provisions, local fiscal year 2011 Medicaid payments by local governments will be held to approximately 3.0 percent over local fiscal year 2010 levels. County and New York City savings from these two local fiscal relief initiatives are expected to total approximately $2.4 billion during State FY 2012, an annual increase in local savings of $547 million over State FY 2011 levels.

[6] In August 2010, the U.S. Congress approved a six-month extension of the enhanced FMAP benefit through June 30, 2011. Under enhanced FMAP (which now covers the period from October 2008 through June 30, 2011), the base Federal match rate increases from 50 percent to approximately 57 percent during the period April through June 2011, which results in a concomitant decrease in the State and local share.

The table below summarizes the benefit of enhanced FMAP since it began in 2008-09.

DOH MEDICAID SPENDING - STATE OPERATING FUNDS WITH AND WITHOUT FMAP IMPACT [1] TOTAL DISBURSEMENTS (millions of dollars)	2008-09	2009-10	2010-11	2011-12	2012-13
DOH Medicaid - Without FMAP	12,668	14,523	15,887	15,680	15,686
Enhanced FMAP	(1,092)	(3,041)	(3,948)	(353)	254
DOH Medicaid - With FMAP	**11,576**	**11,482**	**11,939**	**15,327**	**15,940**

[1] Additional Federal aid from enhanced FMAP in mental hygiene agencies brings the total cumulative State benefit to $9.6 billion.

The State share of DOH Medicaid spending is funded from the General Fund, HCRA, provider assessment revenue, and indigent care revenue. The chart below provides information on the financing sources for State Medicaid spending.

MAJOR SOURCES OF ANNUAL CHANGE IN MEDICAID (DOH ONLY) -- LOCAL ASSISTANCE (millions of dollars)	2011-12	2012-13	Annual $ Change	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
State Operating Funds (Before FMAP) [1]	**15,633**	**15,640**	**7**	**0.0%**	**16,531**	**5.7%**	**17,192**	**4.0%**
Enhanced FMAP -- State Share [2]	**(353)**	**254**	**607**	**-172.0%**	**0**	**-100.0%**	**0**	**0.0%**
State Operating Funds (After FMAP)	**15,280**	**15,894**	**614**	**4.0%**	**16,531**	**4.0%**	**17,192**	**4.0%**
Other State Funds Support	**(5,044)**	**(5,438)**	**(394)**	**7.8%**	**(5,522)**	**1.5%**	**(5,734)**	**3.8%**
HCRA Financing	(3,383)	(3,815)	(432)	12.8%	(3,907)	2.4%	(4,119)	5.4%
Provider Assessment Revenue	(869)	(831)	38	-4.4%	(823)	-1.0%	(823)	0.0%
Indigent Care Revenue	(792)	(792)	0	0.0%	(792)	0.0%	(792)	0.0%
Total General Fund	**10,236**	**10,456**	**220**	**2.1%**	**11,009**	**5.3%**	**11,458**	**4.1%**

[1] Does not include Medicaid spending in other State agencies, DOH State operations spending, or the local government share of total Medicaid program spending.

[2] Excludes benefits in other State agencies. Costs in 2012-13 reflect the reconciliation of the local share benefit for 2011-12 that will occur in 2012-13.

PUBLIC HEALTH/AGING PROGRAMS

Public Health includes the EPIC Program that provides prescription drug insurance to low-income seniors, the child health plus (CHP) program that finances health insurance coverage for children of low-income families up to the age of 19, GPHW program that reimburses local health departments for the cost of providing certain public health services, the Early Intervention (EI) Program that pays for services to infants and toddlers under the age of three with disabilities or developmental delays, and other HCRA and State-supported programs.

The New York State Office for the Aging (SOFA) promotes and administers programs and services for New Yorkers 60 years of age and older. SOFA primarily oversees community-based services, including, but not limited to, in-home services and nutrition assistance, which are provided through a network of county Area Aging Agencies and local providers.

Many public health programs, such as EI and GPHW programs, are run by county health departments and reimbursed by the State for a share of program costs. The State spending projections do not include the county share of public health funding. In addition, a significant portion of HCRA spending is included under the public health budget. For more information on HCRA projections, see the section entitled "HCRA" below.

PUBLIC HEALTH
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Public Health	**1,898**	**2,011**	**6%**	**2,027**	**1%**	**2,062**	**2%**	**2,104**	**2%**
General Public Health Works	201	319	59%	322	1%	308	-4%	308	0%
Early Intervention	230	167	-27%	165	-1%	169	2%	173	2%
Child Health Plus	341	325	-5%	346	6%	371	7%	397	7%
EPIC	322	232	-28%	166	-28%	174	5%	182	5%
HCRA Program Account	304	498	64%	473	-5%	486	3%	488	0%
All Other	500	470	-6%	555	18%	554	0%	556	0%
Aging	**117**	**110**	**-6%**	**112**	**2%**	**112**	**0%**	**112**	**0%**

Year-to-year growth in the GPHW program reflects lower spending in FY 2011 due to delays in planned payments instituted by the DOH that are not expected to continue. A projected increase in enrollment in the CHP program and inflationary costs are expected to drive growth in the outyears of the plan. Growth in the GPHW and CHP programs is partly offset by a decline in spending for the EI program, which primarily reflects the impact of savings actions implemented in prior year enacted budgets.

EPIC spending is projected to decline through FY 2013, resulting from budgetary actions to provide EPIC coverage to Medicare Part D enrollees only when they are in the coverage gap. After FY 2013, spending is projected to increase slightly as a reflection of the rising costs of prescription medication.

HCRA

HCRA was established in 1996 to help finance a portion of State health care activities in various areas of the budget: Medicaid, Public Health, SOFA, and the Insurance Department. Extensions and modifications to HCRA have financed new health care programs, including FHP, and provided additional funding for the expansion of existing programs such as CHP. HCRA has also provided additional financing for the health care industry, including investments in worker recruitment and retention, and the Health Care Equity and Affordability Law for New Yorkers (HEAL NY) capital program. The FY 2012 Enacted Budget extends the HCRA authorization three years to March 31, 2014.

HCRA receipts include surcharges and assessments on hospital revenues, a "covered lives" assessment paid by insurance carriers, a portion of cigarette tax revenues, and other revenues dedicated by statute, as well as potential future proceeds from insurance company conversions.

HCRA spending partially finances Medicaid, EPIC, CHP, FHP, and Indigent Care payments, which provide funds to hospitals that serve a disproportionate share of individuals without health insurance; as well as funds Workforce Recruitment and Retention grants and rate adjustments to health facilities; physician excess medical malpractice; and, HEAL NY funds for capital improvement to health care facilities.

HCRA FINANCIAL PLAN 2010-11 THROUGH 2014-15 (millions of dollars)	2010-11 Results	2011-12 Enacted	2012-13 Projected	2013-14 Projected	2014-15 Projected
Opening Balance	**26**	**159**	**0**	**0**	**0**
Total Receipts	5,286	5,482	6,086	6,220	6,317
Surcharges	2,743	2,810	3,089	3,173	3,266
Covered Lives Assessment	1,021	1,050	1,045	1,045	1,045
Cigarette Tax Revenue	1,136	1,194	1,254	1,232	1,210
Conversion Proceeds	0	0	250	300	300
Hospital Assessment (1 percent)	317	373	394	417	444
NYC Cigarette Tax Transfer/Other	69	55	54	53	52
Total Disbursements	5,153	5,641	6,086	6,220	6,317
Medicaid Assistance Account	2,843	3,390	3,822	3,914	4,127
Medicaid Costs	*1,600*	*2,091*	*2,500*	*2,593*	*2,805*
Family Health Plus	*597*	*635*	*657*	*657*	*657*
Workforce Recruitment & Retention	*196*	*197*	*197*	*197*	*197*
All Other	*450*	*467*	*468*	*467*	*468*
HCRA Program Account	326	522	496	509	511
Hospital Indigent Care	871	792	792	792	792
Elderly Pharmaceutical Insurance Coverage	195	165	166	174	182
Child Health Plus	348	332	354	379	405
Public Health Programs	111	120	120	120	120
All Other	459	320	336	332	180
Annual Operating Surplus/(Deficit)	**133**	**(159)**	**0**	**0**	**0**
Closing Balance	**159**	**0**	**0**	**0**	**0**

HCRA is expected to remain in balance over the multi-year projection period. Given the close relationship between the General Fund and HCRA, any balances in HCRA are typically eliminated by adjusting the level of Medicaid expenditures that HCRA finances. This reduces costs that otherwise would have been paid for by the General Fund. Conversely, any shortfall in HCRA is expected to be financed by the General Fund.

MENTAL HYGIENE

The Department of Mental Hygiene is comprised of four independent agencies, OMH, OPWDD, OASAS, and the Developmental Disabilities Planning Council (DDPC) as well as one oversight agency, the Commission on Quality Care and Advocacy for Persons with Disabilities (CQCAPD). Services are administered to adults with serious and persistent mental illness; children with serious emotional disturbances; individuals with developmental disabilities, and their families; and persons with chemical dependence. These agencies provide services directly to their patients through State-operated facilities and indirectly through community service providers. The cost of providing services and agency operations are funded by reimbursement from Medicaid, Medicare, third-party insurance, and State funding. Patient care revenues are pledged first to the payment of debt service on outstanding mental hygiene bonds, with the remaining revenue deposited to the Patient Income Account, which supports State costs of providing services.

MENTAL HYGIENE
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Office for People with Devel. Disabilities:	**2,175**	**2,158**	**-1%**	**2,271**	**5%**	**2,466**	**9%**	**2,577**	**5%**
Residential Services	1,537	1,496	-3%	1,578	5%	1,717	9%	1,797	5%
Day Programs	555	581	5%	607	5%	655	8%	681	4%
Clinic	22	22	0%	23	6%	25	9%	27	8%
Other	61	59	-3%	63	6%	69	9%	72	5%
CQCAPD	**1**	**1**	**0%**	**1**	**0%**	**1**	**0%**	**1**	**0%**
Mental Health:	**1,106**	**1,126**	**2%**	**1,247**	**11%**	**1,350**	**8%**	**1,441**	**7%**
Adult Local Services	885	901	2%	998	11%	1,080	8%	1,153	7%
OMH Children Local Services	221	225	2%	249	11%	270	8%	288	7%
Alcohol and Substance Abuse:	**295**	**316**	**7%**	**334**	**6%**	**351**	**5%**	**351**	**0%**
Prevention	37	40	8%	42	5%	44	5%	44	0%
Program Support	9	10	11%	10	0%	11	10%	11	0%
Residential	96	103	7%	109	6%	114	5%	114	0%
Outpatient/Methadone	142	152	7%	161	6%	169	5%	169	0%
Crisis	11	11	0%	12	9%	13	8%	13	0%

Local assistance spending in mental hygiene accounts for approximately half of total mental hygiene State spending and is projected to grow by an average rate of 5.2 percent over the plan. This growth is attributable to increases in the projected State share of Medicaid costs and projected expansion of the various mental hygiene service systems, including: increases primarily associated with the OPWDD New York State - Creating Alternatives in Residential Environments and Services (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 funds for additional supported housing beds and associated support services for individuals leaving certain New York city adult homes, pursuant to a Federal district court order; and several chemical dependence treatment and prevention initiatives in OASAS.

SOCIAL SERVICES

OTDA local assistance programs provide cash benefits and supportive services to low-income families. The State's three main programs include Family Assistance, Safety Net Assistance and Supplemental Security Income (SSI). The Family Assistance program, which is financed by the Federal government, provides time-limited cash assistance to eligible families. The Safety Net Assistance program, financed by the State and local districts, provides cash assistance for single adults, childless couples, and families that have exhausted their five-year limit on Family Assistance imposed by Federal law. The State SSI Supplementation program provides a supplement to the Federal SSI benefit for the elderly, visually handicapped, and disabled.

TEMPORARY AND DISABILITY ASSISTANCE
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Temporary and Disability Assistance	**1,202**	**1,412**	**17%**	**1,549**	**10%**	**1,599**	**3%**	**1,612**	**1%**
Public Assistance Benefits	309	485	57%	622	28%	658	6%	658	0%
SSI	722	740	2%	753	2%	766	2%	779	2%
Welfare Initiatives	13	23	77%	7	-70%	7	0%	7	0%
All Other	158	164	4%	167	2%	168	1%	168	0%

The State share of OTDA spending is expected to grow primarily due to the loss of Federal TANF Contingency Funds, resulting in costs reverting back to State funding. The average public assistance caseload is projected to total 531,723 recipients in FY 2012, a decrease of 1.4 percent from FY 2011 levels. Approximately 252,353 families are expected to receive benefits through the Family Assistance program, a decrease of 1.3 percent from the current year. In the Safety Net program, an average of 116,313 families are expected to be helped in FY 2012, a decrease of 2.1 percent. The caseload for single adults/childless couples supported through the Safety Net program is projected at 163,057, a decrease of 1.1 percent. Despite the decreases in projected caseload, the State share of public assistance benefits increases in FY 2012 due to the loss of Federal funding described above.

OCFS provides funding for foster care, adoption, child protective services, preventive services, delinquency prevention, and child care. OCFS oversees the State's system of family support and child welfare services administered by local departments of social services and community-based organizations. Specifically, child welfare services, which are financed jointly by the Federal government, the State, and local districts, are structured to encourage local governments to invest in preventive services to reduce out-of-home placement of children. In addition, the Child Care Block Grant, which is also financed by a combination of Federal, State and local sources, supports child care subsidies for public assistance and low-income families. The youth facilities program serves youth directed by family or criminal courts to be placed in residential facilities.

CHILDREN AND FAMILY SERVICES STATE OPERATING FUNDS SPENDING PROJECTIONS (millions of dollars)	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Children and Family Services	**1,667**	**1,717**	**3%**	**1,903**	**11%**	**2,123**	**12%**	**2,274**	**7%**
Child Welfare Service	490	499	2%	634	27%	827	30%	947	15%
Foster Care Block Grant	433	436	1%	464	6%	493	6%	493	0%
Adoption	196	185	-6%	198	7%	212	7%	219	3%
Day Care	134	145	8%	143	-1%	139	-3%	139	0%
C.S.E.	65	38	-42%	43	13%	50	16%	57	14%
Adult Protective/Domestic Violence	42	44	5%	53	20%	63	19%	74	17%
Youth Programs	113	137	21%	127	-7%	111	-13%	111	0%
Medicaid	69	111	61%	121	9%	132	9%	138	5%
All Other	125	122	-2%	120	-2%	96	-20%	96	0%

OCFS spending is projected to increase, driven primarily by expected growth in claims-based programs. Growth in Child Welfare Services and Adult Protective/Domestic Violence reflects anticipated growth in local claims and flat Federal funding. Growth in Foster Care Block Grant is attributable to the Human Services cost-of-living adjustment. Projected growth in Medicaid from FY 2011 to FY 2012 is primarily attributable to the annualization of costs related to the Bridges to Health Medicaid Waiver program.

TRANSPORTATION

In FY 2012, the State will provide $4.2 billion in local assistance to support statewide mass transit systems. This funding, financed through the collection of dedicated taxes and fees, is provided to mass transit operators throughout the State to support operating costs. Due to the size and scope of its transit system, the Metropolitan Transportation Authority (MTA) receives the majority of the statewide mass transit operating aid. Additionally, the MTA receives operating support from the Mobility Tax and MTA Aid Trust Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District. The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA to support the transit system. Spending from this fund is projected to grow modestly in FY 2013 and later years, commensurate with the forecasted growth in receipts.

TRANSPORTATION STATE OPERATING FUNDS SPENDING PROJECTIONS (millions of dollars)	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Transportation	**4,254**	**4,236**	**0%**	**4,325**	**2%**	**4,405**	**2%**	**4,495**	**2%**
Mass Transit Operating Aid:	1,894	1,772		1,772		1,772		1,772	
Metro Mass Transit Aid	1,750	1,633	-7%	1,633	0%	1,633	0%	1,633	0%
Public Transit Aid	92	87	-5%	87	0%	87	0%	87	0%
18-B General Fund Aid	27	27	0%	27	0%	27	0%	27	0%
School Fare	25	25	0%	25	0%	25	0%	25	0%
Mobility Tax and MTA Aid Trust	1,662	1,756	6%	1,841	5%	1,927	5%	2,017	5%
Dedicated Mass Transit	653	661	1%	665	1%	659	-1%	659	0%
AMTAP	43	45	5%	45	0%	45	0%	45	0%
All Other	2	2	0%	2	0%	2	0%	2	0%

LOCAL GOVERNMENT ASSISTANCE

Direct aid to local governments primarily includes the AIM program, which was created in FY 2006 to consolidate various unrestricted local aid funding streams. Along with AIM, the State provides incentive grants to local governments to promote local efforts to increase efficiency and performance through consolidation or shared services. Other direct aid to local governments includes VLT impact aid, Small Government Assistance and Miscellaneous Financial Assistance.

LOCAL GOVERNMENT ASSISTANCE
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Local Government Assistance	**776**	**767**	**-1%**	**797**	**4%**	**787**	**-1%**	**787**	**0%**
AIM:									
Big Four Cities	438	429	-2%	429	0%	429	0%	429	0%
Other Cities	222	218	-2%	218	0%	218	0%	218	0%
Towns and Villages	69	68	-1%	68	0%	68	0%	68	0%
Efficiency Incentives	10	15	50%	45	200%	44	-2%	44	0%
All Other Local Aid	37	37	0%	37	0%	28	-24%	28	0%

AGENCY OPERATIONS

Agency operating costs includes personal service, non-personal service costs and GSCs. Personal service includes salaries of State employees of the Executive, Legislative, and Judicial branches, as well as overtime payments and costs for temporary employees. Non-personal service generally accounts for the cost of operating 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. GSCs account for the costs of fringe benefits (e.g., pensions, health insurance) provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State. In addition, certain agency operations of Transportation and Motor Vehicles are included in the capital projects fund type and not reflected in the State Operating Funds personal service or non-personal service totals.

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

Growth in State Operations spending over the multi-year Financial Plan is concentrated in agencies that operate large facilities, such as the State University, the Mental Hygiene agencies, Corrections and Community Supervision, and Children and Family Services. The main causes of growth include inflationary increases in operating costs expected for food, medical care and prescription drugs, and energy costs in State facilities.

Agency redesign savings over the Plan period are expected to be achieved through several means including, but not limited to, facility closures reflecting excess capacity conditions, operational efficiencies, and wage and benefit changes negotiated with the State's employee unions. If the State is unsuccessful in negotiating changes, DOB expects that significant layoffs would be necessary to achieve the State agency savings expected in the Financial Plan.

The Spending and Government Efficiency (SAGE) Commission is charged with making recommendations to reduce the number of State agencies, authorities, and commissions by 20 percent over the next four years. The Financial Plan does not currently include specific savings from the SAGE Commission, but the Commission is expected to aid in achieving the aggressive savings targets for State agencies.

GENERAL STATE CHARGES

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, unemployment insurance, and dental and vision benefits. The majority of employee fringe benefit costs are paid centrally from statewide appropriations. However, certain agencies including 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. The largest General Fund reimbursement comes from the mental hygiene agencies.

GSCs also include certain fixed costs such as State taxes paid to local governments for certain State-owned lands and payments related to lawsuits against the State and its public officers.

GENERAL STATE CHARGES
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	2010-11	2011-12	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change	2014-15	Annual % Change
Fringe Benefits:									
Health Insurance	3,055	3,429	12.2%	3,785	10.4%	4,118	8.8%	4,145	0.7%
Employee Health Insurance	1,834	2,144	16.9%	2,367	10.4%	2,575	8.8%	2,592	0.7%
Retiree Health Insurance	1,221	1,285	5.2%	1,418	10.4%	1,543	8.8%	1,553	0.6%
Pensions	1,470	1,670	13.6%	1,857	11.2%	2,113	13.8%	2,411	14.1%
Social Security	970	972	0.2%	964	-0.8%	974	1.0%	973	-0.1%
All Other Fringe	257	131	-49.0%	187	42.7%	102	-45.5%	119	16.7%
Fixed Costs	350	328	-6.3%	332	1.2%	337	1.5%	342	1.5%
Total State Operating Funds	**6,102**	**6,530**	**7.0%**	**7,125**	**9.1%**	**7,644**	**7.3%**	**7,990**	**4.5%**

GSCs are projected to grow at an average annual rate of 7 percent over the plan period. The growth is mainly due to anticipated cost increases in pensions and health insurance for active and retired State employees. The projections assume the amortization of pension costs. See "Other Matters Affecting the Enacted Budget Financial Plan — Pension Expenditures (Including Amortization)" herein.

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., Empire State Development Corporation (ESDC), Dormitory Authority of the State of New York (DASNY), and the New York State Thruway Authority (NYSTA), 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)				
	2010-11 Results	2011-12 Enacted	Annual Change	Percent Change
General Fund	**1,737**	**1,449**	**(288)**	**-16.6%**
Other State Support	3,878	4,406	528	13.6%
State Operating Funds	**5,615**	**5,855**	**240**	**4.3%**
Total All Funds	**5,615**	**5,855**	**240**	**4.3%**

Total debt service is projected at $5.9 billion in FY 2012, of which $1.4 billion is paid from the General Fund through transfers and $4.4 billion from other State funds. The General Fund transfer primarily finances debt service payments on general obligation and service contract bonds. Debt service is paid directly from other State funds for the State's revenue bonds, including, but not limited to, PIT bonds, DHBTF bonds, and mental health facilities bonds.

Enacted budget projections for debt service spending have been revised to reflect the pre-payment of $154 million of SUNY debt service in March 2011. Otherwise, FY 2012 debt service estimates are relatively unchanged, with minor revisions for Dedicated Highway, general obligation, and PIT bonding programs.

CASH FINANCIAL PLAN
GENERAL FUND
ANNUAL CHANGE
(millions of dollars)

	2010-2011 Year-End	2011-2012 Enacted	Annual $ Change	Annual % Change
Opening Fund Balance	2,302	1,376	(926)	-40.2%
Receipts:				
Taxes:				
Personal Income Tax	23,894	26,001	2,107	8.8%
User Taxes and Fees	8,795	9,105	310	3.5%
Business Taxes	5,279	6,101	822	15.6%
Other Taxes	1,237	1,030	(207)	-16.7%
Miscellaneous Receipts	3,095	3,098	3	0.1%
Federal Receipts	54	60	6	11.1%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	7,625	8,096	471	6.2%
Sales Tax in Excess of LGAC Debt Service	2,351	2,409	58	2.5%
Real Estate Taxes in Excess of CW/CA Debt Service	348	395	47	13.5%
All Other Transfers	1,769	998	(771)	-43.6%
Total Receipts	54,447	57,293	2,846	5.2%
Disbursements:				
Local Assistance Grants	37,206	38,888	1,682	4.5%
Departmental Operations:				
Personal Service	6,151	5,560	(591)	-9.6%
Non-Personal Service	1,822	1,796	(26)	-1.4%
General State Charges	4,187	4,668	481	11.5%
Transfers to Other Funds:				
Debt Service	1,737	1,449	(288)	-16.6%
Capital Projects	932	800	(132)	-14.2%
State Share Medicaid	2,497	3,032	535	21.4%
Other Purposes	841	739	(102)	-12.1%
Total Disbursements	55,373	56,932	1,559	2.8%
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(926)	361	1,287	-139.0%
Closing Fund Balance	1,376	1,737	361	26.2%
Statutory Reserves				
Tax Stabilization Reserve Fund	1,031	1,031	0	
Rainy Day Reserve Fund	175	275	100	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	136	51	(85)	
Reserved For				
Prior-Year Labor Agreements (2007-2011)	0	346	346	
Debt Management	13	13	0	

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
2011-2012 through 2014-2015
(millions of dollars)

	2011-2012 Enacted	2012-2013 Projected	2013-2014 Projected	2014-2015 Projected
Receipts:				
Taxes:				
Personal Income Tax	26,001	26,085	27,569	28,698
User Taxes and Fees	9,105	9,383	9,723	10,082
Business Taxes	6,101	6,456	6,721	6,141
Other Taxes	1,030	1,085	1,145	1,210
Miscellaneous Receipts	3,098	2,917	2,496	2,066
Federal Receipts	60	60	60	60
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,096	7,923	8,374	8,707
Sales Tax in Excess of LGAC Debt Service	2,409	2,492	2,617	2,729
Real Estate Taxes in Excess of CW/CA Debt Service	395	469	556	634
All Other Transfers	998	772	615	610
Total Receipts	57,293	57,642	59,876	60,937
Disbursements:				
Local Assistance Grants	38,888	40,115	41,996	43,734
Departmental Operations:				
Personal Service	5,560	5,773	5,879	6,047
Non-personal Service	1,796	2,178	2,036	2,163
General State Charges	4,668	5,126	5,499	5,660
Transfers to Other Funds:				
Debt Service	1,449	1,712	1,658	1,566
Capital Projects	800	1,168	1,361	1,456
State Share Medicaid	3,032	3,119	3,082	3,082
Other Purposes	739	739	1,059	1,692
Total Disbursements	56,932	59,930	62,570	65,400
Reserves:				
Community Projects Fund	(85)	(51)	0	0
Rainy Day Reserve Fund	100	0	0	0
Prior-Year Labor Agreements (2007-2011)	346	142	142	142
Increase (Decrease) in Reserves	361	91	142	142
Excess (Deficiency) of Receipts Over Disbursements and Reserves	0	(2,379)	(2,836)	(4,605)

Source: NYS DOB

CASH RECEIPTS
CURRENT STATE RECEIPTS
GENERAL FUND
2011-2012 THROUGH 2014-2015
(millions of dollars)

	2011-2012 Enacted	2012-2013 Projected	2013-2014 Projected	2014-2015 Projected
Taxes:				
Withholdings	31,802	32,356	34,535	36,383
Estimated Payments	11,900	11,728	11,910	12,575
Final Payments	2,110	2,199	2,154	2,151
Other Payments	1,089	1,134	1,210	1,312
Gross Collections	46,901	47,417	49,809	52,421
State/City Offset	(148)	(148)	(98)	(98)
Refunds	(7,694)	(8,059)	(8,272)	(9,136)
Reported Tax Collections	39,059	39,210	41,439	43,187
STAR (Dedicated Deposits)	(3,292)	(3,322)	(3,510)	(3,692)
RBTF (Dedicated Transfers)	(9,766)	(9,803)	(10,360)	(10,797)
Personal Income Tax	26,001	26,085	27,569	28,698
Sales and Use Tax	11,173	11,503	11,960	12,440
Cigarette and Tobacco Taxes	492	518	511	505
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	233	238	242	247
Highway Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Utility Taxes and Fees	11,898	12,259	12,713	13,192
LGAC Sales Tax (Dedicated Transfers)	(2,793)	(2,876)	(2,990)	(3,110)
User Taxes and Fees	9,105	9,383	9,723	10,082
Corporation Franchise Tax	3,047	3,178	3,284	2,527
Corporation and Utilities Tax	681	750	780	813
Insurance Taxes	1,266	1,318	1,376	1,438
Bank Tax	1,107	1,210	1,281	1,363
Petroleum Business Tax	0	0	0	0
Business Taxes	6,101	6,456	6,721	6,141
Estate Tax	1,015	1,070	1,130	1,195
Real Estate Transfer Tax	620	690	770	840
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	14	14	14	14
Other Taxes	1	1	1	1
Gross Other Taxes	1,650	1,775	1,915	2,050
Real Estate Transfer Tax (Dedicated)	(620)	(690)	(770)	(840)
Other Taxes	1,030	1,085	1,145	1,210
Payroll Tax	0	0	0	0
Total Taxes	42,237	43,009	45,158	46,131
Licenses, Fees, Etc.	455	525	486	506
Abandoned Property	755	735	670	655
Motor Vehicle Fees	132	109	36	36
ABC License Fee	49	51	50	50
Reimbursements	202	202	197	197
Investment Income	10	10	10	10
Other Transactions	1,495	1,285	1,047	612
Miscellaneous Receipts	3,098	2,917	2,496	2,066
Federal Grants	60	60	60	60
Total	45,395	45,986	47,714	48,257

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	1,376	2,141	453	3,970
Receipts:				
Taxes	42,237	8,319	13,059	63,615
Miscellaneous Receipts	3,098	15,212	949	19,259
Federal Receipts	60	1	79	140
Total Receipts	45,395	23,532	14,087	83,014
Disbursements:				
Local Assistance Grants	38,888	18,873	0	57,761
Departmental Operations:				
Personal Service	5,560	6,117	0	11,677
Non-Personal Service	1,796	3,193	62	5,051
General State Charges	4,668	1,862	0	6,530
Debt Service	0	0	5,855	5,855
Capital Projects	0	5	0	5
Total Disbursements	50,912	30,050	5,917	86,879
Other Financing Sources (Uses):				
Transfers from Other Funds	11,898	7,322	6,524	25,744
Transfers to Other Funds	(6,020)	(719)	(14,574)	(21,313)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	5,878	6,603	(8,050)	4,431
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	361	85	120	566
Closing Fund Balance	1,737	2,226	573	4,536

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	43,009	8,643	13,249	64,901
Miscellaneous Receipts	2,917	16,072	997	19,986
Federal Receipts	60	1	79	140
Total Receipts	45,986	24,716	14,325	85,027
Disbursements:				
Local Assistance Grants	40,115	19,778	0	59,893
Departmental Operations:				
Personal Service	5,773	6,198	0	11,971
Non-Personal Service	2,178	3,334	62	5,574
General State Charges	5,126	1,999	0	7,125
Debt Service	0	0	6,332	6,332
Capital Projects	0	5	0	5
Total Disbursements	53,192	31,314	6,394	90,900
Other Financing Sources (Uses):				
Transfers from Other Funds	11,656	7,285	6,607	25,548
Transfers to Other Funds	(6,738)	(283)	(14,436)	(21,457)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	4,918	7,002	(7,829)	4,091
Designated General Fund Reserves:				
Reserve for Collective Bargaining	(142)	0	0	(142)
Reserve for Community Projects Fund	51	0	0	51
Net Designated General Fund Reserves	(91)	0	0	(91)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,379)	404	102	(1,873)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	45,158	8,980	14,001	68,139
Miscellaneous Receipts	2,496	16,456	1,043	19,995
Federal Receipts	60	1	79	140
Total Receipts	47,714	25,437	15,123	88,274
Disbursements:				
Local Assistance Grants	41,996	20,391	0	62,387
Departmental Operations:				
Personal Service	5,879	6,295	0	12,174
Non-Personal Service	2,036	3,436	62	5,534
General State Charges	5,499	2,145	0	7,644
Debt Service	0	0	6,498	6,498
Capital Projects	0	5	0	5
Total Disbursements	55,410	32,272	6,560	94,242
Other Financing Sources (Uses):				
Transfers from Other Funds	12,162	7,477	6,552	26,191
Transfers to Other Funds	(7,160)	(130)	(15,009)	(22,299)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	5,002	7,347	(8,457)	3,892
Designated General Fund Reserves:				
Reserve for Collective Bargaining	(142)	0	0	(142)
Net Designated General Fund Reserves	(142)	0	0	(142)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,836)	512	106	(2,218)

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2014-2015
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	46,131	9,334	14,628	70,093
Miscellaneous Receipts	2,066	16,712	1,064	19,842
Federal Receipts	60	1	79	140
Total Receipts	48,257	26,047	15,771	90,075
Disbursements:				
Local Assistance Grants	43,734	21,016	0	64,750
Departmental Operations:				
Personal Service	6,047	6,421	0	12,468
Non-Personal Service	2,163	3,501	62	5,726
General State Charges	5,660	2,330	0	7,990
Debt Service	0	0	6,551	6,551
Capital Projects	0	5	0	5
Total Disbursements	57,604	33,273	6,613	97,490
Other Financing Sources (Uses):				
Transfers from Other Funds	12,680	7,683	6,185	26,548
Transfers to Other Funds	(7,796)	26	(15,197)	(22,967)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	4,884	7,709	(9,012)	3,581
Designated General Fund Reserves:				
Reserve for Collective Bargaining	(142)	0	0	(142)
Net Designated General Fund Reserves	(142)	0	0	(142)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(4,605)	483	146	(3,976)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	1,376	2,150	(168)	453	3,811
Receipts:					
Taxes	42,237	8,319	1,361	13,059	64,976
Miscellaneous Receipts	3,098	15,344	4,016	949	23,407
Federal Receipts	60	40,872	2,294	79	43,305
Total Receipts	45,395	64,535	7,671	14,087	131,688
Disbursements:					
Local Assistance Grants	38,888	53,805	2,711	0	95,404
Departmental Operations:					
Personal Service	5,560	6,803	0	0	12,363
Non-Personal Service	1,796	4,203	0	62	6,061
General State Charges	4,668	2,165	0	0	6,833
Debt Service	0	0	0	5,855	5,855
Capital Projects	0	5	5,177	0	5,182
Total Disbursements	50,912	66,981	7,888	5,917	131,698
Other financing sources (Uses):					
Transfers from Other Funds	11,898	7,323	1,060	6,524	26,805
Transfers to Other Funds	(6,020)	(4,791)	(1,445)	(14,574)	(26,830)
Bond and Note Proceeds	0	0	484	0	484
Net Other Financing Sources (Uses)	5,878	2,532	99	(8,050)	459
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	361	86	(118)	120	449
Closing Fund Balance	1,737	2,236	(286)	573	4,260

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	43,009	8,643	1,392	13,249	66,293
Miscellaneous Receipts	2,917	16,203	3,685	997	23,802
Federal Receipts	60	37,687	1,847	79	39,673
Total Receipts	45,986	62,533	6,924	14,325	129,768
Disbursements:					
Local Assistance Grants	40,115	51,669	2,010	0	93,794
Departmental Operations:					
Personal Service	5,773	6,879	0	0	12,652
Non-Personal Service	2,178	4,243	0	62	6,483
General State Charges	5,126	2,331	0	0	7,457
Debt Service	0	0	0	6,332	6,332
Capital Projects	0	5	5,276	0	5,281
Total Disbursements	53,192	65,127	7,286	6,394	131,999
Other Financing Sources (Uses):					
Transfers from Other Funds	11,656	7,286	1,410	6,607	26,959
Transfers to Other Funds	(6,738)	(4,288)	(1,505)	(14,436)	(26,967)
Bond and Note Proceeds	0	0	400	0	400
Net Other Financing Sources (Uses)	4,918	2,998	305	(7,829)	392
Designated General Fund Reserves:					
Reserve for Collective Bargaining	(142)	0	0	0	(142)
Reserve for Community Projects Fund	51	0	0	0	51
Net Designated General Fund Reserves	(91)	0	0	0	(91)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,379)	404	(57)	102	(1,930)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	45,158	8,980	1,397	14,001	69,536
Miscellaneous Receipts	2,496	16,587	3,516	1,043	23,642
Federal Receipts	60	39,731	1,811	79	41,681
Total Receipts	47,714	65,298	6,724	15,123	134,859
Disbursements:					
Local Assistance Grants	41,996	54,433	2,001	0	98,430
Departmental Operations:					
Personal Service	5,879	6,966	0	0	12,845
Non-Personal Service	2,036	4,324	0	62	6,422
General State Charges	5,499	2,483	0	0	7,982
Debt Service	0	0	0	6,498	6,498
Capital Projects	0	5	5,067	0	5,072
Total Disbursements	55,410	68,211	7,068	6,560	137,249
Other Financing Sources (Uses):					
Transfers from Other Funds	12,162	7,478	1,582	6,552	27,774
Transfers to Other Funds	(7,160)	(4,052)	(1,554)	(15,009)	(27,775)
Bond and Note Proceeds	0	0	338	0	338
Net Other Financing Sources (Uses)	5,002	3,426	366	(8,457)	337
Designated General Fund Reserves:					
Reserve for Collective Bargaining	(142)	0	0	0	(142)
Net Designated General Fund Reserves	(142)	0	0	0	(142)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,836)	513	22	106	(2,195)

Source: NYS DOB

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2014-2015
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	46,131	9,334	1,408	14,628	71,501
Miscellaneous Receipts	2,066	16,843	3,244	1,064	23,217
Federal Receipts	60	45,067	1,809	79	47,015
Total Receipts	48,257	71,244	6,461	15,771	141,733
Disbursements:					
Local Assistance Grants	43,734	60,763	1,730	0	106,227
Departmental Operations:					
Personal Service	6,047	7,095	0	0	13,142
Non-Personal Service	2,163	4,384	0	62	6,609
General State Charges	5,660	2,674	0	0	8,334
Debt Service	0	0	0	6,551	6,551
Capital Projects	0	5	4,995	0	5,000
Total Disbursements	57,604	74,921	6,725	6,613	145,863
Other Financing Sources (Uses):					
Transfers from Other Funds	12,680	7,684	1,519	6,185	28,068
Transfers to Other Funds	(7,796)	(3,524)	(1,528)	(15,197)	(28,045)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	4,884	4,160	297	(9,012)	329
Designated General Fund Reserves:					
Reserve for Collective Bargaining	(142)	0	0	0	(142)
Net Designated General Fund Reserves	(142)	0	0	0	(142)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(4,605)	483	33	146	(3,943)

Source: NYS DOB

CASHFLOW
GENERAL FUND
2011-2012
(dollars in millions)

	2011 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2012 January Projected	February Projected	March Projected	Total
OPENING BALANCE	1,376	4,475	1,098	489	1,245	946	4,192	3,023	1,568	1,906	5,645	5,025	1,376
RECEIPTS:													
Personal Income Tax	4,127	846	2,496	1,720	1,837	2,712	1,693	1,324	441	5,165	1,800	1,840	26,001
User Taxes and Fees	685	669	878	703	717	933	685	689	865	730	625	926	9,105
Business Taxes	151	55	925	74	104	1,063	124	87	1,317	105	122	1,974	6,101
Other Taxes	75	87	87	87	88	88	87	86	86	87	86	86	1,030
Total Taxes	5,038	1,657	4,386	2,584	2,746	4,796	2,589	2,186	2,709	6,087	2,633	4,826	42,237
Licenses, Fees, etc.	46	32	33	31	35	40	41	39	41	39	39	39	455
Abandoned Property	1	0	30	16	10	92	23	127	42	73	56	285	755
ABC License Fee	5	4	4	5	4	5	3	3	3	4	5	4	49
Motor vehicle fees	0	0	0	0	0	7	21	21	21	21	21	20	132
Reimbursements	12	12	25	9	12	24	12	12	27	10	10	37	202
Investment Income	1	1	0	2	0	0	1	0	0	1	1	3	10
Other Transactions	20	51	98	97	55	371	52	48	96	47	76	484	1,495
Total Miscellaneous Receipts	85	100	190	160	116	539	153	250	230	195	208	872	3,098
Federal Grants	2	0	14	0	0	15	0	0	15	0	0	14	60
PIT in Excess of Revenue Bond Debt	1,375	135	964	525	258	1,067	304	171	1,044	1,018	328	907	8,096
Sales Tax in Excess of LGAC Debt S	205	35	443	214	220	224	212	213	263	230	3	147	2,409
Real Estate Taxes in Excess of CW/C	39	36	38	33	41	34	38	25	32	30	26	23	395
All Other	96	14	44	77	9	14	42	22	27	6	(48)	695	998
Total Transfers from Other Funds	1,715	220	1,489	849	528	1,339	596	431	1,366	1,284	309	1,772	11,898
TOTAL RECEIPTS	6,840	1,977	6,079	3,593	3,390	6,689	3,338	2,867	4,320	7,566	3,150	7,484	57,293
DISBURSEMENTS:													
School Aid	232	2,615	2,169	100	540	1,300	500	1,000	1,520	530	500	5,796	16,802
Higher Education	32	25	624	43	198	72	443	32	247	78	321	463	2,578
All Other Education	23	100	306	75	55	70	223	157	62	227	97	337	1,732
Medicaid - DOH	971	927	1,384	480	1,053	156	1,271	1,424	460	810	862	438	10,236
Public Health	15	87	107	79	34	129	29	19	102	16	17	108	742
Mental Hygiene	19	8	352	1	1	533	1	1	349	137	113	366	1,881
Children and Families	8	162	192	117	93	206	88	116	194	78	75	386	1,715
Temporary & Disability Assistance	326	131	136	104	81	122	75	75	89	75	18	170	1,402
Transportation	0	24	0	0	24	0	0	24	15	0	10	3	100
Unrestricted Aid	1	13	295	2	2	92	11	2	205	2	2	140	767
All Other	(23)	25	207	36	50	58	(42)	33	28	33	484	44	933
Total Local Assistance Grants	1,604	4,117	5,772	1,037	2,131	2,738	2,599	2,883	3,271	1,986	2,499	8,251	38,888
Personal Service	602	464	544	512	626	378	348	489	394	373	505	325	5,560
Non-Personal Service	199	149	135	172	166	145	131	112	114	160	157	156	1,796
Total State Operations	801	613	679	684	792	523	479	601	508	533	662	481	7,356
General State Charges	404	338	102	405	416	52	378	440	60	446	282	1,345	4,668
Debt Service	520	0	(99)	375	(4)	(107)	565	0	(84)	445	(18)	(144)	1,449
Capital Projects	(23)	43	(21)	54	59	(42)	87	80	(48)	130	67	414	800
State Share Medicaid	273	209	240	248	257	257	257	257	257	257	257	263	3,032
Other Purposes	162	34	15	34	38	22	142	61	18	30	21	162	739
Total Transfers to Other Funds	932	286	135	711	350	130	1,051	398	143	862	327	695	6,020
TOTAL DISBURSEMENTS	3,741	5,354	6,688	2,837	3,689	3,443	4,507	4,322	3,982	3,827	3,770	10,772	56,932
Excess/(Deficiency) of Receipts over D	3,099	(3,377)	(609)	756	(299)	3,246	(1,169)	(1,455)	338	3,739	(620)	(3,288)	361
CLOSING BALANCE	4,475	1,098	489	1,245	946	4,192	3,023	1,568	1,906	5,645	5,025	1,737	1,737

Source: NYS DOB

SUMMARY OF CERTAIN PROVISIONS OF THE 2002 AGREEMENT

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SUMMARY OF CERTAIN PROVISIONS OF THE 2002 AGREEMENT

The following is a summary of the 2002 Agreement. Such summary does not purport to be complete and reference is made to the 2002 Agreement for full and complete statements of such and all provisions. Defined terms used herein shall have the meanings ascribed to them in Appendix A.

Covenants for Benefit of Holders of Obligations

The 2002 Agreement is executed in part to induce the purchase by others of the Obligations and accordingly all covenants and agreements on the part of the Fund, the State University and the Authority as set forth in the 2002 Agreement are thereby declared to be for the benefit of the Holders from time to time of the Obligations.

(Section 2.02)

Construction of Project

The Fund agrees that it will prepare or cause to be prepared the Plans and Specifications for the Facilities and it will acquire, construct, reconstruct, rehabilitate or otherwise provide or cause to be acquired, constructed, reconstructed, rehabilitated or otherwise provided the Facilities substantially in accordance with the Plans and Specifications. The Fund agrees that it will use its best efforts to cause such acquisition, construction, reconstruction, rehabilitation and provision to be completed as soon as may be practicable, delays incident to strikes, riots, acts of God, the public enemy or any delay beyond its reasonable control only excepted; but, if for any reason such acquisition, construction, reconstruction, rehabilitation and provision is delayed, there shall be no resulting liability on the part of the Fund and no diminution in or postponement of the amounts payable under the 2002 Agreement by the Fund.

The Fund shall be responsible for the letting of contracts for the design, acquisition, construction, reconstruction, rehabilitation and provision of the Facilities and the furnishing or equipping thereof, supervision of construction, acceptance of the completed Facilities or parts thereof, and all other matters incidental to performance of the duties and powers expressly granted in the 2002 Agreement to the Fund in connection therewith. Copies of such contracts, the Plans and Specifications and each modification thereof shall be sent to the Authority promptly upon the Authority's request therefor.

Contracts in connection with the acquisition, construction, reconstruction, rehabilitation and provision of the Facilities and the furnishing or equipping thereof shall be let in accordance with applicable law. The Fund agrees that it shall require each contractor engaged in the acquisition, construction, reconstruction, rehabilitation and provision of the Facilities to provide such performance bonds as security for the faithful performance of its contract and such payment bonds for labor and material as security for the payment of all persons performing labor or furnishing materials in connection with such contract as may he required by law.

The Authority makes no warranties or representations and accepts no liabilities or responsibilities with respect to or for the adequacy, sufficiency or suitability of or defects in the Plans and Specifications or any contracts or agreements with respect to the acquisition, construction, reconstruction, rehabilitation or provision of the Facilities or the furnishing and equipping thereof.

(Section 3.01)

Construction Costs

The Authority in the 2002 Resolution is authorized to, and shall, make payments from the Construction Fund to pay the Costs of the Project or to reimburse the Fund or the State for Costs of the Project paid by either of them upon receipt and acceptance by the Authority of a requisition signed by an Authorized Officer of the Fund filed with the Authority, stating with respect to each payment to be made (i) the names of the payees, (ii) the purpose for which such payment is to be made in terms sufficient for identification, (iii) the respective amount of each such payment, and (iv) 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, together with copies of all unpaid invoices for such items of Costs for which the Fund may have requested the Authority to make payment on behalf of the Fund.

(Section 3.02)

Operation, Maintenance, Repair and Replacement

The State University, at its expense, shall hold, operate, maintain, repair and replace the Facilities and their equipment in a careful and prudent manner and keep the Facilities and their equipment in a clean and orderly fashion. The cost of operating and maintaining the Facilities shall include, but shall not be limited to, all expenses of furnishing steam, hot and cold water, electricity, gas, oil, coal or other fuel, sewage and all other utility services required for the Facilities, real property taxes and assessments and water and sewer rents on the Facilities, if any.

Except as otherwise provided for by the 2002 Agreement, the Fund and the Authority shall make available to pay the cost of repairs and replacements of the Facilities and its equipment (i) the proceeds of insurance or condemnation, if any, received by the Fund by reason of the damage necessitating such repairs or replacements and (ii) to the extent permitted by the 2002 Resolution, moneys available from the Building and Equipment Reserve Fund.

Moneys withdrawn from the Building and Equipment Reserve Fund pursuant to the 2002 Resolution shall be repaid by the Fund in ten (10) equal semiannual payments payable on October 10 and April 10 in accordance with the 2002 Agreement commencing on the October 10 of the Bond Year immediately succeeding the Bond Year during which such withdrawal was made. Moneys withdrawn from the Building and Equipment Reserve Fund pursuant to the 2002 Resolution for deposit to the credit of the Debt Service Fund shall be repaid by the Fund in two (2) equal semiannual payments payable on October 10 and April 10 in accordance with the 2002 Agreement commencing on the October 10 of the Bond Year immediately succeeding the Bond Year during which such withdrawal was made.

(Section 3.03)

Alterations to Project

Except as otherwise provided in the 2002 Agreement, the Fund or the State University shall be entitled to make any change to or alteration of a Facility of a structural or other nature or remove any fixtures, furnishings or equipment in or used in connection with a Facility without the consent of the Authority; except that no fixtures, furnishings or equipment acquired with the proceeds of Outstanding Obligations shall be removed and disposed of by sale or otherwise without the prior written consent of an Authorized Officer of the Authority.

(Section 3.04)

Use of Project

The Fund and the State University each agrees that, unless in the opinion of Bond Counsel the use or occupancy of a Facility or part thereof other than as required by the 2002 Agreement would not adversely affect the exclusion of interest on any of the Obligations from gross income for purposes of Federal income taxation and is not prohibited by the Act, the Fund Act or other provision of law, the Facilities shall be occupied or used only by the State University or in connection with related educational activities.

(Section 3.05)

Abandonment, Withdrawal and Sale of Facilities

Notwithstanding any other provisions of the 2002 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 upon delivery to the Authority and the Trustee of a certificate or certificates signed by an Authorized Officer of each of the Fund and the State University stating that such Facility or part thereof is no longer useful or necessary in the operation of the State University or a certificate signed by an Authorized Officer of the Authority stating that no Obligations issued in connection with such Facility are Outstanding.

Upon the prior written consent of the Director of the Budget of the State, any Facility withdrawn from the Project may he sold for such amount and upon such terms as the Authority, the Fund and the State University may agree. The proceeds of such sale, up to the principal amount of Outstanding Obligations issued in connection with such Facility plus the premium payable thereon, if any, on the first date thereafter on which such Obligations 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 he paid to the Authority for deposit to the credit of the Construction Fund or applied to the redemption of Outstanding Obligations 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, which consent shall not be unreasonably withheld or delayed by, used by the Fund for any other purpose unless in the opinion of Bond Counsel such use would adversely affect the exclusion of interest on any of the Obligations from gross income for purposes of federal income taxation. In lieu of paying such proceeds to the Authority for the redemption of Obligations, 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 Obligations issued in connection with such Facility equal to the amount required to be paid to the Authority pursuant to the immediately preceding sentence.

(Section 3.06)

Loss of Use of a Facility

In case a Facility or part thereof is taken by eminent domain or condemnation, or damaged or destroyed, then and in such event:

If, within 120 days from the occurrence, the Fund and the State University notify the Authority in writing of their intention to replace or restore such Facility, the Fund shall proceed to replace or restore such Facility, including all fixtures, furniture, equipment and effects, to its original condition insofar as possible. The moneys required for such replacement or restoration shall be paid from the proceeds of any condemnation award or insurance received by reason of such occurrence, and to the extent such proceeds are not sufficient, from the Building and Equipment Reserve Fund or from moneys to be provided by the Fund; or

If the Authority has not within such 120 day period been notified in writing of the intention of the Fund and the State University to restore or replace such Facility or if the Fund and the State University determine not to restore or replace such Facility the Authority in its discretion may determine that such Facility has been abandoned pursuant to the applicable provisions of the 2002 Agreement. In such event, the proceeds of any condemnation award or insurance received by reason of such occurrence shall be applied and paid in the same manner and order of priority as provided for the proceeds of the sale of a Facility pursuant to the 2002 Agreement.

(Section 3.07)

Right of Inspection

The Authority and the Fund shall have the right to enter upon, inspect and examine the Facilities at any reasonable time upon prior notice to the Fund or the State University; provided, however, that no such notice shall be required if the Authority in its sole judgment determines that such inspection is to be made because of the existence of a situation which poses an imminent danger to the public or the occupants of such Facility or which otherwise constitutes an emergency.

(Section 3.08)

Compliance with Laws and Regulations

In the performance of their respective obligations under the 2002 Agreement, the Fund and the State University, respectively, each shall comply with all applicable laws, regulations, and rules of the Government of the United States of America and the State of New York, the rules and regulations of the National Board of Fire Underwriters and, with respect to a Facility, any requirement of an insurance company so long as such company is writing insurance on the Facility.

(Section 3.09)

Issuance of Obligations; Purposes

The Authority agrees to use its best efforts to authorize, issue, sell and deliver from time to time one or more Series of Obligations, in accordance with the provisions of the 2002 Resolution, in aggregate principal amounts which, together with other moneys available therefor, are sufficient to pay the Costs of the Project.

In addition to providing for the Costs of the Project it is understood that the 2002 Resolution provides, and it is agreed, that the Authority may issue Obligations for one or more or the following purposes: (i) paying the Costs of Issuance of Obligations, (ii) making deposits to the Building and Equipment Reserve Fund, and (iii) funding or refunding Obligations, other notes or bonds of the

Authority or notes, bonds or other obligations of the State or any agency, instrumentality or public benefit corporation thereof, issued in connection with Facilities.

(Section 4.01)

Certain Limitations on Principal and Interest

To facilitate the financial planning of the Fund, the Authority agrees that, unless the Fund and the Authority agree that the first payment dates for the principal and Sinking Fund Installments of and interest on Obligations of a Series shall be other than as provided in this Section: (i) the first date for the payment of the principal or Sinking Fund Installment of any Obligations of a Series shall not be prior to the May 15 immediately succeeding the November 15 of the Bond Year in which such Series of Obligations are delivered and (ii) any installment of interest payable prior to the May 15 of the Bond Year succeeding the Bond Year in which such Series of Obligations are delivered or prior to the end of the first year after the Facility or part thereof in connection with which such Obligations were issued are placed in service, whichever is earlier, shall be paid from the proceeds of such Series of Obligations unless, in the opinion of Bond Counsel, the same would adversely affect the exclusion of interest on such Obligations from gross income for purposes of federal income taxation.

(Section 4.02)

Obligation to Make Payments

The obligation of the Fund to make the payments required by the 2002 Agreement shall be complete and unconditional and the amount, manner and time of payment of such payments shall not be decreased, abated, postponed or delayed for any cause or by reason of the happening of any event.

The provisions of the 2002 Agreement shall be deemed executory to the extent of moneys available to the Fund and no monetary liability on account of the 2002 Agreement shall be incurred by the Fund beyond moneys legally available for the purposes of the 2002 Agreement.

(Section 5.01)

Amount and Payment of Annual Payments

The Fund shall pay to the Authority the following in the amounts and on the dates set forth below:

(i) On October 10 of each Bond Year (A) the interest payable on the next succeeding November 15 on Outstanding Obligations on which interest is payable semiannually on each May 15 and November 15, (B) the interest estimated by an Authorized Officer of the Authority to be payable prior to the next succeeding May 15 on Outstanding Variable Interest Rate Obligations on which interest is paid more frequently than semiannually, and (C) the principal and Sinking Fund Installments of Outstanding Obligations payable prior to the next succeeding May 15;

(ii) On April 10 of each Bond Year (A) the interest payable on the next succeeding May 15 on Outstanding Obligations on which interest is payable semiannually on each May 15 and November 15, (B) the interest estimated by an Authorized Officer of the Authority to be payable prior to the next succeeding November 15 on Outstanding Variable Interest Rate Obligations on which interest is payable more frequently than semiannually, and (C) the principal and Sinking Fund Installments of Outstanding Obligations payable prior to the next succeeding November 15;

(iii) 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;

(iv) On October 10 and April 10 of each Bond Year, such amount, if any, as shall be necessary to provide for the repayment in accordance with the 2002 Agreement of amounts withdrawn from the Building and Equipment Reserve Fund;

(v) On October 10 of each Bond Year next succeeding receipt of a notice given by the trustee pursuant to the 2002 Resolution, the amount set forth in such notice as necessary to restore the Building and Equipment Reserve Fund to the Building and Equipment Reserve Fund Requirement; and

(vi) On October 10 and April 10 of each Bond Year, the amount, if any, as shall be necessary to provide for the payment by the Authority of the fees and other amounts payable to the Provider of a Credit Facility or Liquidity Facility or to a Counterparty on or prior to the April 10 of such Bond Year or October 10 of the succeeding Bond Year, respectively.

The Fund shall receive a credit against the payments required to be made pursuant to (i) and (ii) above in an amount 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 2002 Resolution to be on deposit in such fund or required to pay the purchase price or Redemption Price, including accrued interest to the date of purchase of redemption, of Outstanding Obligations theretofore contracted to be purchased or called for redemption.

In addition to the foregoing payments, the Fund shall pay to the Authority the following, in the amounts and on the dates set forth below:

(i) on October 10 and April 10 of each Bond Year, one-half of the Annual Administrative Fee payable during such Bond Year; and

(ii) 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 therefor in the Arbitrage Rebate Fund, within 15 days after notice of the amount thereof is given to the Fund.

(Section 5.02)

Indemnification of Authority

Both during the term of the 2002 Agreement and thereafter, the Fund and the University, respectively, to the extent authorized by the Public Authorities Law and to the extent not otherwise prohibited by State law and decisions thereunder, shall indemnify and hold the Authority and any member, officer, and employee of the Authority harmless against, and shall pay any and all liability, loss, cost, damage, claim, judgment or expense, of any and all kinds or of any 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, acquisition, construction, reconstruction, rehabilitation or provision of the Facilities pursuant hereto, or upon or arising out of an 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 Fund or the State University, the Project or the estimated sources and uses of funds, or omitted to state a material fact relating to the Fund or 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 is not contributed to, caused by or resulted from the intentional wrong doing of the Authority, its members, officers or employees.

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 Fund and the University shall not be liable for attorneys fees of separate counsel so retained or any other expense incurred in connection with its participation in the defense of such action or proceeding, other than the reasonable costs of investigation thereof, unless the Fund and the University shall have consented thereto or unless, (i) in the reasonable judgment of the Authority (A) its interests and the interests of the Fund or the State 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 Fund or the State or (ii) the State or the Fund not provide for legal representation.

The State University and the Fund, respectively, shall not be liable for the payments pursuant to the indemnification provided for in the 2002 Agreement 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 or the Fund, respectively.

The provisions of the 2002 Agreement shall become inoperative with respect to the parties to be indemnified thereunder, upon the enactment into law of indemnification protection by the State for said parties equivalent to the indemnification of State officers pursuant to Section 17 of the Public Officers Law.

(Section 5.04)

Establishment of the Payment Account

Pursuant to the Fund Act and for the purpose of providing for the payment to the Authority of the Annual Payments and other payments required under the 2002 Agreement, the Fund agrees to create a special account designated the "State University Construction Fund Educational Facilities 2002 Payment Account" (the "Payment Account") to be held as a separate account by and in the joint custody of the Commissioner of Taxation and Finance of the State of New York and the Comptroller of the State of New York, as agents of the Fund, separate and apart from other funds and moneys of the Fund. The moneys in the Payment Account shall not be commingled with any other moneys.

(Section 6.01)

Pledge of Payment Account

The Fund pledges and assigns to the Authority the moneys and investments from time to time on deposit in the Payment Account.

(Section 6.02)

Payments to the Payment Account

The Fund agrees that it shall pay or cause to be paid into the Payment Account during each Bond Year from all Fund Resources an amount equal to the sum of (i) the payments required for such Bond Year by the 2002 Agreement, and (ii) any further payments required to be deposited in the Payment Account for such Bond Year by any other agreements between the Fund and the Authority or among the Fund, the State University and the Authority.

The Fund agrees that no Fund Resources shall be paid to or deposited in any other fund or account held by or for the Fund in any Bond Year until the requirements of the Foregoing paragraph with respect to payments to the Payment Account for such Bond Year have been fully complied with and satisfied.

At any date in any Bond Year on which (i) all payments theretofore required to have been paid as provided for under the 2002 Agreement for such Bond Year shall have been paid in full and (ii) the moneys on deposit in and the investments constituting a part of the Payment Account are at least equal to the aggregate amount of any such payments required still to be paid as provided for by the 2002 Agreement for such Bond Year, then, upon the happening of both such events, any Fund Resources received after such date shall not be required to be paid into the Payment Account but shall be received, accepted, invested, administered, expended and disbursed by the Fund.

(Section 6.03)

Payments from the Payment Account

The Fund agrees that it shall pay or cause to be paid from the Fund Payment Account the Annual Payments and other payments required under the 2002 Agreement, at the times and in the manner required under the 2002 Agreement and, if the moneys in the Fund Payment Account are insufficient for such payments, then from any other moneys legally available to the Fund.

(Section 6.04)

Fund Assurance to Enforce the State's Payments

For the purpose of making fully effective the provisions of subdivision (l9)(e) of Section 1680 of the Act, the Fund agrees that in the event of the failure of the State to pay to the Fund all or part of the amounts required to be paid to the Fund by the State pursuant to such subdivision (l9)(e), the Fund (i) shall, not later than five days following the State's failure to make any such payment, forthwith make and deliver to the Comptroller of the State of New York the certificate provided for by such subdivision (19)(e), and (ii) shall take all further action legally available to require prompt and complete compliance with the provisions of such subdivision (l9)(e), which provide that all or any part of the amount which the State has failed to pay, pursuant to such subdivision (19)(e), shall be paid to the Fund by the State Comptroller from any moneys appropriated by the State for or on account of the operating costs of State University.

(Section 6.06)

Limitation on Liens

The Fund shall not create or cause to be created any lien or charge prior or equal to the lien of the pledge and assignment made under the 2002 Agreement on the Fund Resources, the right to receive the same, the proceeds thereof and of such right, and the moneys and investments from time to time on deposit in the Payment Account.

(Section 6.07)

Apportionment of State Payments

In the event that the payments made by the State to the Fund pursuant to the Act are at any time not sufficient to enable the Fund to pay collectively the Annual Payments due under the 2002 Agreement and all payments payable under agreements heretofore or hereafter entered into by and between the Authority and the Fund pursuant to the Act, and if the legislative apportionment of the money appropriated for such payments does not expressly designate the Fund payments for which such State payments are made, then, unless otherwise directed by a court of competent jurisdiction, the Fund shall apportion the amount received by it from the State, pro rata, among the Fund payments due to the Authority under the 2002 Agreement and each other agreement entered into pursuant to the Act, based upon the respective amounts remaining to be paid during the Bond Year during which such State payment was made.

(Section 6.08)

Option to Defease Resolution

Upon 60 days' written notice to the Authority and the Trustee, the Fund or the State University shall have the right to pay or cause to be paid to the Trustee an amount equal to the principal or Redemption Price of and interest to the next date on which all Outstanding Obligations are subject to redemption. If at any time the moneys on deposit in the Debt Service Fund and the Building and Equipment Reserve Fund are at least equal to the principal or Redemption Price of and interest to the next date on which all Outstanding Obligations are subject to redemption, the Authority upon the written request of the Fund or the State University shall give notice to the Trustee of the Authority's election to redeem all Outstanding Obligations on such redemption date.

(Section 7.01)

Termination of the Agreement and Provisions Relating Thereto

The 2002 Agreement shall remain in full force and effect until the date on which (i) the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Obligations shall have been fully paid and discharged or provision for the payment and discharge thereof shall have been made as provided by the 2002 Resolution and (ii) all other obligations, liabilities and expenses of the Authority relating to the Facilities or required to be paid by the Authority in connection with such termination of the 2002 Agreement and the defeasance of the 2002 Resolution or required to be paid by the Authority pursuant to any Interest Rate Exchange Agreement shall have been fully paid and discharged or provision satisfactory to the Authority for the payment and discharge thereof shall have been made.

(Section 7.02)

Amendment of Agreement or Resolution

The 2002 Agreement may be amended by a Supplemental Agreement executed by and among the Authority, the Fund and the State University; provided, however, that any amendment contained in a Supplemental Agreement shall not become effective unless and until (i) if the consent of Holders of Outstanding Obligations is required by the 2002 Resolution, there shall have been filed with the Trustee the written consents of the Holders of the percentage of Outstanding Obligations specified in the 2002 Resolution, (ii) if the consent of the Trustee is required by the 2002 Resolution, the Trustee has consented thereto, and (iii) an executed copy of such Supplemental Agreement certified by an Authorized Officer of the Authority shall have been filed with the Trustee.

The Authority agrees that it shall not adopt a Supplemental Resolution which amends or supplements the 2002 Resolution in any manner which requires the consent of any percentage of the Holders of Outstanding Obligations to be obtained as provided in the 2002 Resolution unless such Supplemental Agreement is approved in writing by the Fund and the State University.

(Section 7.03)

Arbitrage

The Fund and the State University each covenants that it shall take no action, nor shall it approve the Trustee's taking any action or making any investment or use of the proceeds of Obligations, which would cause the Obligations or any Series of Obligations to be "arbitrage" bonds within the meaning of Section 148 of the Code, and any proposed or final regulations thereunder as are applicable to the Obligations at the time of such action, investment or use.

(Section 7.06)

Limitation of Liability

The State and the State University shall not be jointly or severally liable for any moneys payable by the Fund pursuant to the terms of the 2002 Agreement.

(Section 7.07)

Successor and Assigns; Non-Assignability

The provisions of the 2002 Agreement shall be binding upon and inure to the benefit of the parties thereto and their respective successors and assigns; provided, however, the 2002 Agreement may not be assigned, except to the Trustee, by any party without the consent in writing of each other party.

(Section 7.08)

Disclaimer of Personal Liability

No recourse shall be had against or liability incurred by any member of the Authority or the State University, any trustee of the Fund, or officer or employee of any of them, or any person executing the 2002 Agreement for any covenants and provisions of the 2002 Agreement or for any claims based upon such 2002 Agreement.

(Section 7.11)

SUMMARY OF CERTAIN PROVISIONS OF THE 2002 RESOLUTION

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SUMMARY OF CERTAIN PROVISIONS OF THE 2002 RESOLUTION

The following is a summary of certain provisions of the 2002 Resolution. Such summary does not purport to be complete and reference is made to the 2002 Resolution for full and complete statements of such and all provisions. Defined terms used herein shall have the meanings ascribed to them in Appendix A.

Resolution and Obligations Constitute a Contract

The 2002 Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Holders from time to time of the Obligations, and the pledge and assignment made in the 2002 Resolution and the covenants and agreements set forth in the 2002 Resolution 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 the Obligations, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any Obligations over any other Obligations except as expressly provided in or permitted by the 2002 Resolution.

(Section 1.03)

Authorization of Obligations

Obligations are authorized to be issued and shall be designated as “Third General Resolution Revenue Bonds (State University Educational Facilities Issue)” or “Third General Resolution Revenue Notes (State University Educational Facilities Issue)”, and there is created a continuing pledge and lien as provided by the 2002 Resolution to secure the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on all the Obligations. The Obligations shall be special obligations of the Authority payable solely from the Revenues, all in the manner more particularly provided in the 2002 Resolution. The aggregate principal amount of Obligations which may be executed, authenticated and delivered is not limited except as provided in the 2002 Resolution.

The Obligations of the Authority shall not be a debt of the State, nor shall the State be liable thereon, nor shall the Obligations be payable out of any funds other than those of the Authority pledged by the 2002 Resolution to the payment of the principal, Sinking Fund Installments, if any, and the Redemption Price of and interest on all the Obligations.

(Section 2.01)

Additional Obligations

The Authority reserves the right to issue bonds, notes or any other obligations pursuant to other and separate resolutions of the Authority, so long as such bonds, notes or other obligations are not entitled to a charge or lien or right prior or equal to the charge or lien created by, or prior or equal to the rights of the Authority and Holders of Obligations provided by the 2002 Resolution or with respect to the moneys pledged by the 2002 Resolution.

(Sections 2.05)

Place and Medium of Payment

Unless the Series Resolution authorizing issuance of the Obligations of a Series or the applicable Series Certificate otherwise provides, the Obligations shall be payable, with respect to interest, principal, Sinking Fund Installments and Redemption Price, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Except as otherwise provided in connection with payment of the Redemption Price of an Obligation, upon presentation and surrender of an Obligation the principal or Redemption Price thereof shall be payable at the principal corporate trust office of the Trustee. Except as otherwise provided in the Series Resolution authorizing the issuance of Variable Interest Rate Obligations or Option Obligations or the applicable Series Certificate, interest on Obligations shall be paid by check or draft mailed to the registered owner thereof at the address thereof as it appears on the registry books of the Authority, or, at the option of the registered owner of at least $1,000,000 in principal amount of Obligations of a Series, by wire transfer to the registered owner at the wire transfer address in the continental United States to which such registered owner has not less than five days prior to the Record Date for such Obligations, directed the Trustee to wire such interest payment. For purposes of this Section, interest is payable to the registered owner of an Obligation at the close of business on the Record Date for such Obligation.

(Section 3.01)

Interchangeability of Obligations

Obligations, upon their surrender at the principal corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his attorney duly authorized in writing may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of Obligations of the same Series, Sub-Series, maturity and tenor of any other authorized denominations.

(Section 3.04)

Negotiability, Transfer and Registry

All Obligations shall be negotiable as provided in the Act, subject to the provisions for registration and transfer contained in the 2002 Resolution and the Obligations. So long as any of the Obligations shall not have matured or been called for redemption, the Authority shall maintain and keep, at the principal corporate trust office of the Trustee, books for the registration and transfer of Obligations; and, upon presentation thereof for such purpose at said office, the Authority shall register or cause to be registered therein, and permit to be transferred thereon, under such reasonable regulations as it or the Trustee may prescribe, any Obligation entitled to registration or transfer. So long as any of the Obligations have not matured or been called for redemption, the Authority shall make all necessary provisions to permit the exchange of Obligations at the principal corporate trust office of the Trustee.

(Section 3.05)

Transfer of Obligations

Each Obligation shall be transferable only upon the books of the Authority by the registered owner in person or by his attorney duly authorized in writing, upon surrender of the Obligation together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney and the payment of a charge sufficient to reimburse the Authority or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such transfer. Upon the transfer of any such Obligation, the Authority shall issue in the name of the transferee a new Obligation or Obligations.

The Authority and the Trustee may deem and treat the person in whose name any Outstanding Obligation shall be registered upon the books of the Authority as the absolute owner of such Obligation, whether such Obligation shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, of and, subject to the provisions of the 2002 Resolution with respect to Record Dates, interest on such Obligation and for all other purposes whatsoever, and all payments made to a registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Obligation to the extent of the sum or sums paid, and neither the Authority nor the Trustee shall be affected by any notice to the contrary.

(Section 3.06)

Regulations with Respect to Exchanges and Transfers

For every such exchange or transfer of Obligations, whether temporary or definitive, the Authority or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. Notwithstanding any other provisions of the 2002 Resolution, the cost of preparing each new Obligation upon each exchange or transfer, and any other expenses of the Authority or the Trustee incurred in connection therewith, shall be paid by the person requesting such exchange or transfer. The Authority shall not be obliged to make any such exchange or transfer of Obligations of any Series during the period beginning on the Record Date for Obligations of a particular Series next preceding an interest payment date and ending on such interest payment date.

(Section 3.07)

Payment of Redeemed Obligations

Notice having been given by mail in the manner provided in the 2002 Resolution, the Obligations or portions thereof so called for redemption shall, if on the redemption date all conditions to the redemption have been satisfied, become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date. Upon presentation and surrender of Obligations that are not Book Entry Obligations at the office or offices specified in such notice, together with, in the case of Obligations presented by other than the registered owner, a written instrument of transfer duly executed by the registered owner or his duly authorized attorney, such Obligations, or portions thereof, shall be paid at the Redemption Price, plus interest accrued and unpaid to the redemption date. At the request of the registered owner of at least $1,000,000 in principal amount of Obligations to be redeemed, payment of the Redemption Price shall be made 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 Obligation is surrendered to the Trustee, directed in writing the Trustee to wire such Redemption Price. If less than all of the principal amount of an Obligation shall be called for redemption, the Authority shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Obligation, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Obligation so surrendered, Obligations 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 Obligations or portions thereof to be redeemed, together with interest 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 Obligations or portion thereof so called for redemption shall cease to accrue and such Obligations shall no longer be considered to be Outstanding. If such moneys shall not be so available on the redemption date, such Obligations or portion 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

The proceeds from the sale of any Obligations, the Revenues and except as otherwise provided by the 2002 Resolution, and all funds and accounts established by the 2002 Resolution and by any Series Resolution, other than the Arbitrage Rebate Fund, are pledged and assigned to the Trustee as security for the payment of the principal and Redemption Price of and interest on the Obligations and as security for the performance of any other obligation of the Authority under the 2002 Resolution and each Series Resolution all in accordance with the provisions of the Obligations and the 2002 Resolution. Such pledge is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of any Obligations, the Revenues and all funds and accounts established by the 2002 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 Obligations shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of any Obligations, the Revenues and all funds and accounts established by the 2002 Resolution and by any Series Resolution, which pledge shall constitute a first lien thereon.

Notwithstanding anything to the contrary contained in the 2002 Resolution, the Authority may incur obligations or indebtedness to any person providing a Credit Facility or Liquidity Facility which are payable from the Revenues on a parity with the Obligations and which are secured by a lien and pledge of the Revenues equal to the lien and pledge made by the 2002 Resolution, without preference, priority or distinction over the rights of the Holders of the Obligations.

(Section 5.01)

Establishment of Funds and Accounts

The following funds and separate accounts within funds are established by the 2002 Resolution and shall be held and maintained by the Trustee, except that the Construction Fund shall be held and maintained by the Authority:

Construction Fund;

Debt Service Fund;

Building and Equipment Reserve Fund; and

Arbitrage Rebate Fund.

All moneys at any time deposited in any fund created by the 2002 Resolution or any Series Resolution or required by either to be created shall be held in trust for the benefit of the Holders of Obligations, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided in the 2002 Resolution. However, the proceeds derived from the remarketing of Option Obligations tendered or deemed to have been tendered for purchase or redemption in accordance with the

Series Resolution authorizing the issuance of such Obligations or the applicable Series Certificate or derived from a Liquidity Facility relating to such Obligations, 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 Obligations so tendered or deemed to have been tendered, shall not be held in trust for the benefit of the Holders of Obligations other than such Option Obligations and are pledged thereby for the payment of the purchase price or Redemption Price of such Option Obligations.

(Section 5.02)

Application of Money in the Construction Fund

Upon the filing in the office of the Authority of a certificate signed by an Authorized Officer of the Authority and of the Fund stating the completion of the Project, or upon the filing in the offices of the Authority of a certificate signed by an Authorized Officer of the Fund and of the Authority which states that the moneys then remaining in the Construction Fund exceeds the amount necessary to complete the Project, any money then remaining in the Construction Fund, after making provision for the payment of any Costs of Issuance and Costs of the Project then unpaid shall be applied by the Trustee in the following order of priority:

First: To the credit of the Building and Equipment Reserve Fund, such amount as shall be necessary to make the amount on deposit in such fund equal to the Building and Equipment Reserve Fund Requirement; and

Second: To the Debt Service Fund for application in accordance with the 2002 Resolution, any balance remaining.

(Section 5.04)

Deposit of Revenues and Allocation Thereof

The Revenues paid to the Trustee shall upon receipt be deposited or paid by the Trustee in the following order of priority:

First: To the credit of the Debt Service Fund

(i) in the case of Revenues received during the period from the May 15 until the following November 14, the amount, if any, necessary to make the amount on deposit in the Debt Service Fund equal to the sum of (A) the principal and Sinking Fund Installments of Outstanding Obligations payable prior to the next succeeding May 15, (B) the interest payable on the next succeeding November 15 on Outstanding Obligations on which interest is payable semiannually on each May 15 and November 15, and (C) the amount of interest estimated by the Authority to be payable prior to the next succeeding May 15 on Variable Interest Rate Obligations on which interest is payable more frequently than semiannually; and

(ii) in the case of Revenues received during the period from November 15 until the following May 14, the amount, if any, necessary to make the amount on deposit in the Debt Service Fund equal to the sum of (A) the principal and Sinking Fund Installments of Outstanding Obligations payable prior to the next succeeding November 15, (B) the interest payable on the next succeeding May 15 on Outstanding Obligations on which interest is payable semiannually on each May 15 and November 15 and (C) the amount of interest estimated to be payable prior to the next succeeding November 15 on Variable Interest Rate Obligations on which interest is payable more frequently than semiannually;

Second: To reimburse, pro rata, each Provider for Provider Payments which are then unpaid, in proportion to the respective Provider Payments then unpaid to such Provider;

Third: Upon the direction of an Authorized Officer of the Authority, to the Arbitrage Rebate Fund in the amount set forth in such direction;

Fourth: To the credit of the Building and Equipment Reserve Fund, the amount, if any, necessary to make the amount on deposit therein equal to the Building and Equipment Reserve Fund Requirement; and

Fifth: To the Authority such amounts as are then due and owing to the Authority pursuant to the 2002 Agreement for (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, all as required by the 2002 Resolution and (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 2002 Agreement in accordance with the terms thereof; 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 2002 Agreement and payable pursuant to the 2002 Resolution.

After making the foregoing payments, the balance, if any of the Revenues shall, upon the direction of an Authorized Officer of the Authority, be paid by the Trustee to the Authority for deposit to the credit of the Construction Fund or deposited by the Trustee to the credit of the Debt Service Fund for application in accordance with the 2002 Resolution, or to both, in the respective amounts set forth in the 2002 Resolution.

(Section 5.05)

Debt Service Fund

The Trustee shall on or before the Business Day preceding each interest payment date pay to itself and any other Paying Agent the amount of: (a) the interest due on all Outstanding Obligations on such interest payment date; and (b) the principal and Sinking Fund Installments due on all Outstanding Obligations on such interest payment date. The amount paid out shall continue to be subject to the pledge made by the 2002 Resolution and shall be held by the Trustee and Paying Agents subject to such pledge and applied to the payments due on such interest payment date to the Holders of Obligations.

The Authority may, at any time that is not later than forty-five days prior to the date on which a Sinking Fund Installment is payable, 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 due on said date. Any Term Bonds so purchased shall be cancelled 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 cancelled shall be credited against the Sinking Fund Installment due on such date provided that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is given.

Moneys in the Debt Service Fund that

(A) during the period from May 15 until the following November 14, are in excess of the amount required to pay the sum of (i) the principal and Sinking Fund Installments of Outstanding Obligations payable prior to the next succeeding May 15, (ii) the interest payable on the next succeeding November 15 on Outstanding Obligations on which interest is payable semiannually on each May 15 and November 15, (iii) the amount of interest estimated by the Authority to be payable prior to the next succeeding May 15 on Variable Interest Rate Obligations 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 May 15 of Outstanding Obligations theretofore contracted to be purchased or called for redemption, or

(B) during the period from November 15 until the end of the Bond Year are in excess of the amount required to pay the sum of (i) the principal and Sinking Fund Installments of Outstanding Obligations payable prior to the next succeeding November 15, (ii) the interest payable on the next succeeding May 15 on Outstanding Obligations on which interest is payable semiannually on each May 15 and November 15, (iii) the amount of interest estimated by the Authority to be payable prior to the next succeeding November 15 on Variable Interest Rate Obligations 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 November 15 of Outstanding Obligations theretofore contracted to be purchased or called for redemption,

shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to the purchase of Outstanding Obligations of any Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Obligations 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 Obligations of any Series are subject to redemption the amount of such excess is $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 the 2002 Resolution to the redemption of Obligations as provided in the 2002 Resolution at the Redemption Prices specified in the applicable Series Resolution or Series Certificate.

(Section 5.06)

Arbitrage Rebate Fund

Notwithstanding any other provisions of Article V of the 2002 Resolution, money in the Construction Fund and the Building and Equipment Reserve Fund may be transferred to the Arbitrage Rebate Fund in accordance with the directions of an Authorized Officer of the Authority.

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 shall be deposited to any fund or account established under the 2002 Resolution in accordance with the written direction of such Authorized Officer.

(Section 5.08)

Application of Moneys in Certain Funds for Retirement of Obligations

Notwithstanding any other provisions of the 2002 Resolution, if at any time the amounts held in the Debt Service Fund and the Building and Equipment Reserve Fund are sufficient to pay the principal or Redemption Price of all Outstanding Obligations and the interest accrued and to accrue on such Obligations to the next date of redemption when all such Obligations are redeemable, or to make provisions pursuant to the 2002 Resolution for payment of such Outstanding Obligations at the maturity or redemption dates thereof, the Authority may direct the Trustee to proceed to redeem such Outstanding Obligations in the manner provided for redemption of such Obligations by the 2002 Resolution and by each Series Resolution or give the Trustee irrevocable instructions in accordance with the 2002 Resolution and make provision for payment of the Outstanding Obligations at the maturity or redemption dates thereof.

(Section 5.09)

Transfer of Investments

Whenever moneys in any fund or account established by the 2002 Resolution or by any Series Resolution are to be paid in accordance with the 2002 Resolution or any Series 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 he made, provided, however, that no such transfer of investments would result in a violation of any investment standard or restriction applicable to moneys in such fund.

(Section 5.10)

Security for Deposits

All moneys held under the 2002 Resolution by the Trustee shall be continuously and fully secured, for the benefit of the Authority and the Holders of the Obligations, 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 2002 Resolution and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Obligations, 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 2002 Resolution as an investment of such moneys.

(Section 6.01)

Investment of Funds and Accounts

Moneys held under the 2002 Resolution in any fund or account established thereby or by 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 pursuant to the 2002 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 2002 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.

Permitted Investments purchased or other investments made as an investment of moneys in any fund or account held under the provisions of the 2002 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, as the case may be, such fund or account.

In computing the amount in any fund or account held by the Trustee under the 2002 Resolution, each Permitted Investment shall be valued at the market value thereof, plus accrued interest, whichever is lower, except that investments in the Building and Equipment Reserve Fund shall be valued at the lower of the cost of such investment or the par value thereof, plus accrued interest.

No part of the proceeds of any Series of Obligations 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 Obligation to be an “arbitrage bond” within the meaning of Section 148(a) of the Code.

(Section 6.02)

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 Obligation of each Series on the date and at the places and in the manner provided in the Obligations according to the true intent and meaning thereof.

(Section 7.01)

Powers as to Obligations and Pledge

The Authority is duly authorized under the Act and all applicable laws to create and issue the Obligations, to adopt the 2002 Resolution and each Series Resolution and to pledge and assign the proceeds from the sale of any Obligations, the Revenues and all funds and accounts established by the 2002 Resolution and by any Series Resolution which are pledged by the 2002 Resolution, in the manner and to the extent provided in the 2002 Resolution and therein. The Authority further covenants that the proceeds from the sale of any Obligations, the Revenues and all funds and accounts established by the 2002 Resolution and by any Series Resolution which are pledged by the 2002 Resolution are and shall he free and clear of any pledge, lien, charge or encumbrance that is prior to or of equal rank with the pledge created by the 2002 Resolution and each Series Resolution, except for the lien in favor of the Trustee for payment of its fees and expenses and any pledge of or lien upon the Revenues made to or created for the benefit of a Provider or Counterparty, and 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 Obligations and the provisions of the 2002 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 by the 2002 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 of the proceeds of the sale of any Obligations, the

Revenues and all funds and accounts established under the 2002 Resolution or by any Series Resolution which are pledged by the 2002 Resolution and all of the rights of the Holders of Obligations under the 2002 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 Obligations, 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 Fund, the Trustee or of any Holder of an Obligation or his representative duly authorized in writing.

(Section 7.05)

Creation of Liens

The Authority shall not create or cause to be created any lien or charge prior or equal to that of the Obligations on the proceeds from the sale of any Obligations, the Revenues or the funds and accounts established by the 2002 Resolution or any Series Resolution which are pledged by the 2002 Resolution; provided, however, that nothing contained in the 2002 Resolution shall prevent the Authority from (i) issuing bonds, notes or other obligations under another and separate resolution so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created by the 2002 Resolution, and (ii) incurring obligations or indebtedness to a Provider or a Counterparty which are secured by a lien on and pledge of the Revenues which are equal to the lien and pledge thereon made by the 2002 Resolution.

(Section 7.06)

Enforcement of Duties and Obligations

The Authority shall take all legally available action to cause the Fund and the State University to perform fully all duties and acts and comply fully with the covenants of the Fund and the State University required by the 2002 Agreement in the manner and at the times provided in the 2002 Agreement; provided, however, that the Authority may delay or defer enforcement of one or more provisions of the 2002 Agreement (other than provisions requiring the payment of moneys to the Trustee for deposit to any fund or account established under the 2002 Resolution) if the Authority determines such delay or deferment will not materially adversely affect the interests of the Holders of the Obligations.

(Section 7.07)

Offices for Payment and Registration of Obligations

The Authority shall at all times maintain an office or agency in the State where Obligations may be presented for payment, registration, transfer or exchange. The Trustee is appointed as its agent to maintain such office or agency. The Authority may, pursuant to a Supplemental Resolution or a Series Resolution or pursuant to a resolution adopted in accordance with the 2002 Resolution, designate an additional Paying Agent or Paying Agents where Obligations of the Series authorized thereby or referred to therein may be presented for payment.

(Section 7.09)

Amendment of 2002 Agreement

The 2002 Agreement may, without the consent of the Holders of Obligations, be amended, changed, modified or supplemented for any one or more of the following purposes:

(i) to add an additional covenant or agreement for the purpose of further securing the payment of the Fund's obligations thereunder that is not contrary to or inconsistent with the other covenants and agreements of the Fund in the 2002 Agreement;

(ii) to surrender any right, power or privilege reserved to or conferred upon the Fund or the State University, if surrender of such right, power or privilege is not contrary to or inconsistent with the other covenants and agreements of the Fund or the State University contained in the 2002 Agreement;

(iii) to make changes necessary or appropriate in connection with the acquisition, construction, reconstruction, rehabilitation and improvement, or otherwise providing, furnishing and equipping of any Facility, to amend the description of any Facility or to add or delete a Facility to or from the 2002 Agreement;

(iv) to establish, amend or modify any fees payable to the Authority by the Fund in connection with any Facility or Obligations; or

(v) with the prior written consent of the Trustee and each Credit Facility Provider, to cure any ambiguity, or to correct or supplement any provisions contained in the 2002 Agreement which may be defective or inconsistent with any other provisions contained in the 2002 Resolution or in the 2002 Agreement or to amend, modify or waive any other provision of the 2002 Agreement provided that the same does not adversely affect the interests of the Holders of Outstanding Obligations in any material respect.

Notwithstanding the foregoing, the 2002 Agreement may not be amended, changed modified or terminated nor may any provision thereof be waived, without the consent of the Holders of Outstanding Obligations as hereinafter provided, if such amendment, change, modification, termination or waiver (i) reduces the amount payable by the Fund under the 2002 Agreement on any date or delays the date on which payment is to be made, (ii) modifies the events which constitute events of default under the 2002 Agreement, (iii) diminishes, limits or conditions the rights or remedies of the Authority upon the occurrence of an event of default thereunder, or (iv) adversely affects the rights of the Holders of Outstanding Obligations 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 Obligations then Outstanding, or (b) in case less than all of the several Series of Obligations 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 Obligations 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 Obligations of any specified Series and maturity remain Outstanding, the consent of the Holders of such Obligations shall not be required and such Obligations shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Obligations under this Section.

For the purposes of this Section, the purchasers of the Obligations of a Series, whether purchasing in connection with a primary offering or a reoffering of Obligations or as underwriters, for resale or otherwise, upon such purchase, may consent to an amendment, change, modification, alteration or termination permitted by this Section in the manner provided in the 2002 Resolution, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Obligations; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the amendment, change, modification, alteration or termination 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 the reoffering of the Obligations of such Series.

For the purposes of this Section, a Series shall be deemed to be adversely affected by an amendment, change, modification or alteration of the 2002 Agreement if the same adversely affects or diminishes the rights of the Holders of the Obligations of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Obligations of any particular Series would be adversely affected in any material respect by any amendment, change, modification or alteration, and any such determination shall he binding and conclusive on the Fund, the Authority and all Holders of Obligations.

For all 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 alteration adversely affects the interests of any Holders of Obligations then Outstanding in any material respect.

(Section 7.10)

Notice as to Event of Default under 2002 Agreement

The Authority shall notify the Trustee in writing that the Fund or the State University is in default under the 2002 Agreement, which default is continuing, which notice shall be given within five days after the Authority has obtained actual knowledge thereof.

(Section 7.11)

Limitation on Notes

The Authority shall not issue any Notes unless there is delivered to the Trustee at the time of delivery of such Notes (i) a certificate of the Director of the Budget of the State setting forth the aggregate amount of money paid to the State University during the fiscal year of the State immediately preceding the Bond Year during which such Notes are issued, for or on account of the operating costs of the State University and (ii) a certificate of an Authorized Officer of the Authority stating (x) the principal amount of Notes Outstanding, together with the aggregate principal amount of other notes issued and outstanding under the Prior Resolutions, excluding Notes and such other notes to be refunded or for which provision for the payment of such Notes will be made from the proceeds of the Notes to be issued, (y) the aggregate principal amount of Notes to be issued, and (z) that the aggregate amount set forth in (x) and (y) will not exceed fifteen percent (15%) of the amount set forth in the certificate of the Director.

(Section 7.14)

Modification and Amendment Without Consent

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:

(a) to provide for the issuance of a Series of Obligations pursuant to the provisions of the 2002 Resolution and to prescribe the terms and conditions pursuant to which such Obligations 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 Obligations, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the 2002 Resolution;

(c) to prescribe further limitations and restrictions upon the issuance of Obligations 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 2002 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 2002 Resolution;

(e) to confirm, as further assurance, any pledge under the 2002 Resolution, and the subjection to any lien, claim or pledge created or to be created by the provisions of the 2002 Resolution, of the Revenues, or any pledge of any other moneys or funds;

(f) to modify any of the provisions of the 2002 Resolution or of any previously adopted Series Resolution in any other respect, provided that such modifications shall not be effective until after all Obligations of any Series of Obligations Outstanding as of the date of adoption of such Supplemental Resolution or Series Resolution shall cease to be Outstanding, and all Obligations issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent resolutions;

(g) to modify the provisions of the 2002 Resolution concerning investment of funds in any respect, provided that such modification shall not permit the investment of moneys in the Debt Service Fund in any manner inconsistent with the provisions of the 2002 Resolution and shall not result in the reduction by a Rating Service of the ratings assigned thereby to any of the Outstanding Obligations; or

(h) with the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the 2002 Resolution or to insert such provisions clarifying matters or questions arising under the 2002 Resolution as are necessary or desirable if any such modifications are not contrary to or inconsistent with the 2002 Resolution as theretofore in effect, or to modify any of the provisions of the 2002 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 Holders of the Obligations in any material respect.

(Section 9.01)

Supplemental Resolutions Effective With Consent of Holders of Obligations

The provisions of the 2002 Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of the Holders of Obligations in accordance with and subject to the provisions of the 2002 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.

(Section 9.02)

General Provisions Relating to Series Resolutions and Supplemental Resolutions

The 2002 Resolution shall not be modified or amended in any respect except in accordance with and subject to the provisions of the 2002 Resolution. Nothing contained in the 2002 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 2002 Resolution or the right or obligation of the Authority to execute and deliver to the Trustee or any Paying Agent any instrument provided in the 2002 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 2002 Resolution, is authorized or permitted by the 2002 Resolution and is valid and binding upon the Authority and enforceable in accordance with its terms. The Trustee shall transmit a copy of such Supplemental Resolution to the Fund and to each Provider upon its becoming effective.

The Trustee is authorized to accept delivery of a certified copy of any Series Resolution or Supplemental Resolution permitted or authorized pursuant to the provisions of the 2002 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 2002 Resolution.

No Series Resolution or Supplemental Resolution, changing, amending or modifying any of the rights or obligations of the Trustee, a Paying Agent or a Provider shall become effective without the written consent of the Trustee, the Paying Agent or Provider affected thereby.

(Section 9.03)

Powers of Amendment

Any modification or amendment of the 2002 Resolution and of the rights and obligations of the Authority and of the Holders of the Obligations under the 2002 Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the 2002 Resolution, (i) of the Holders of at least a majority in principal amount of the Obligations Outstanding at the time such consent is given, (ii) in case less than all of the several Series of Obligations then Outstanding are affected by the modification or amendment, of the Holders of at least a majority in principal amount of the Obligations 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 Obligations 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 Obligations of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Obligations shall not be required and such Obligations shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Obligations under the 2002 Resolution. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Obligation 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 Obligation, or shall reduce the percentages or otherwise affect the classes of Obligations the consent of the Holders of which is required to effect any such modification or amendment.

(Section 10.01)

Consent of Holders of Obligations

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the 2002 Resolution to take effect when and as provided in the 2002 Resolution. 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 Holders of Obligations for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to the Holders of Obligations (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 the 2002 Resolution provided). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of the Holders of the percentages of Outstanding Obligations specified in the 2002 Resolution 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 2002 Resolution, is authorized or permitted by the 2002 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 provided in the 2002 Resolution. At any time after the Holders of the required percentages of Obligations 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 the Holders of such required percentages of Obligations have filed such consents.

A Supplemental Resolution making an amendment or modification requiring the consent of the Holders of Outstanding Obligations shall be deemed conclusively binding upon the Authority, the Trustee, each Paying Agent and the Holders of all Obligations upon the filing with the Trustee of proof of the mailing of a notice that the Supplemental Resolution has been consented to by the Holders of the required percentage of Outstanding Obligations, 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 30 days after the proof of mailing has been filed with the Trustee. However, that the Authority, the Trustee and any Paying Agent during such 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.

The purchasers of the Obligations of a Series, whether purchasing in connection with a primary offering or a reoffering of Obligations or as underwriters, for resale or otherwise, upon such purchase, may consent to a modification or amendment permitted by Section 10.01 or 10.03 of the 2002 Resolution in the manner provided in the 2002 Resolution, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Obligations; 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 the reoffering of the Obligations of such Series.

(Section 10.02)

Modifications by Unanimous Consent

The terms and provisions of the 2002 Resolution and the rights and obligations of the Authority and of the Holders of the Obligations 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 Obligations then Outstanding, such consent to be given as provided in Section 10.02 of the 2002 Resolution, except that no notice to Holders of Obligations either by mailing or publication shall be required.

(Section 10.03)

Events of Default

An event of default under the 2002 Resolution shall exist if:

(a) payment of the principal, Sinking Fund Installments or Redemption Price of any Obligation is not made when due; or

(b) payment of an installment of interest on any Obligation is not made when due; or

(c) with respect to the Obligations of any Series, the Authority defaults in the due and punctual performance of the 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 Obligations 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 Obligations of a Series shall no longer be excluded from gross income under Section 103 of the Code; or

(d) the Authority defaults in the due and punctual performance of any of the other covenants, conditions, agreements and provisions contained in the Obligations or in the 2002 Resolution or in any Series Resolution on the part of the Authority to be performed and such default shall continue for 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 25% in principal amount of the Outstanding Obligations.

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default, other than a default as a result of which the interest on the Obligations of a Series shall no longer be excluded from gross income under Section 103 of the Code, the Trustee may, and upon the written request of the Holders of not less than 25% in principal amount of the Outstanding Obligations shall, by a notice in writing to the Authority, declare the principal of all of the Outstanding Obligations and the interest accrued thereon to be due and payable immediately. At the expiration of 30 days from the giving of notice of such declaration, such principal and interest shall become and be immediately due and payable. If all defaults shall have been remedied to the satisfaction of the Trustee with the written consent of the Holders of not less than 25% in principal amount of the Obligations not then due by their terms and then Outstanding, 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 Obligations (except the interest accrued on such Obligations 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 2002 Resolution 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 Obligations or in the 2002 Resolution (other than a default in the payment of the principal of such Obligations then due only because of a declaration made pursuant to 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 to such default.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default the Trustee may proceed, and upon the written request of the Holders of not less than 25% in principal amount of the Outstanding Obligations or, in the case of a default resulting from a failure to observe the covenant to maintain the exclusion from gross income of interest on the Obligations of a particular Series, the written request of the Holders of not less than 25% in principal amount of the Outstanding Obligations of the Series affected thereby, shall proceed (subject to the provisions of the 2002 Resolution concerning indemnity of the Trustee), to protect and enforce its rights and the rights of the Holders of the Obligations under the laws of the State or under the 2002 Resolution by such suits, actions or special proceedings in equity or at law, as the Trustee shall deem most effectual to protect and enforce such rights.

(Section 11.04)

Priority of Payments After Default

If at any time the moneys held by the Trustee under the 2002 Resolution and under each Series Resolution is not sufficient to pay the principal of and interest on the Obligations as it becomes due and payable (either by their terms or by acceleration of maturity), such moneys together with any moneys then available or thereafter becoming available for such purpose, whether through exercise of the remedies provided for in this Resolution or otherwise, shall be applied (after payment of all amounts owing to the Trustee under the 2002 Resolution) as follows:

(a) Unless the principal of all the Obligations shall have become or has been declared due and payable, all such moneys shall be applied:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Obligations which shall have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available shall not be sufficient to pay in full all Obligations due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund

Installments or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all of the Obligations shall have become or been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest specified in the Obligations.

Whenever moneys are to be applied by the Trustee pursuant to the foregoing provisions, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for application in accordance with the provisions of this Section shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Authority, to any Holder of Obligations or to any other person for any delay in applying any such moneys so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the 2002 Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be on an interest payment date unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. The Trustee shall not be required to make payment to the Holder of any Obligation unless such Obligation shall be presented to the Trustee for appropriate endorsement.

(Section 11.05)

Termination of Proceedings

In case any proceedings commenced by the Trustee on account of any default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the Authority, the Trustee, each Provider and the Holders of Obligations shall be restored to their former positions and rights under the 2002 Resolution, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been commenced.

(Section 11.06)

Holders' Direction of Proceedings

Anything in the 2002 Resolution to the contrary notwithstanding, the Holders of a majority in principal amount of the Outstanding Obligations, or, in the case of a default resulting from a failure to observe a covenant to maintain the exclusion from gross income of interest on the Obligations of a particular Series, the Holders of a majority in principal amount of Outstanding Obligations of the Series affected thereby, shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the 2002 Resolution, provided that such direction shall not be otherwise than in accordance with law or the provisions of the 2002 Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Holders of Obligations not parties to such direction.

(Section 11.07)

Limitation of Rights of Individual Holders of Obligations

No Holder of any of the Obligations shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the 2002 Resolution, or for any other remedy under the 2002 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 25% in principal amount of the Outstanding Obligations, or, in the case of a default resulting from a failure to observe a covenant to maintain the exclusion from gross income of interest on the Obligations of a particular Series, the Holders of not less than 25% in principal amount of the Outstanding Obligations 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 2002 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.

(Section 11.08)

Defeasance

If the Authority, shall pay or cause to be paid to the Holders of the Obligations 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 2002 Resolution, and in the applicable Series Resolution and the applicable Series Certificate, then the pledge of the Revenues or other moneys and securities pledged to such Series of Obligations and all other rights granted to such Series of Obligations shall be discharged and satisfied. In such event, all moneys or securities held by it pursuant to the 2002 Resolution and to the applicable Series Resolution which are not required for the payment or redemption of Obligations of such Series not theretofore surrendered for such payment or redemption shall be paid or delivered by the Trustee 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 Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Provider; third, to the Authority free from any trust, pledge, lien, encumbrance or security interest created by the 2002 Resolution or by the 2002 Agreement.

Obligations 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 the paragraph above. All Outstanding Obligations 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 the paragraph above if (a) in case any of said Obligations 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 publish as provided in the 2002 Resolution notice of redemption on said date of such Obligations, (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 Obligations on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Obligations are not by their terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper a notice to the Holders of such Obligations that the deposit described in (b) above has been made with the Trustee and that said Obligations are deemed to have been paid in accordance with the 2002 Resolution 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 Obligations. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to the 2002 Resolution 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 Obligations: 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 Obligations on and prior to such redemption date or maturity date thereof, as the case may be; and, 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 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 Obligations 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 of a firm of independent certified public accountants 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 to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Obligations, 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 Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Provider; third, to the Authority free from any trust, pledge, lien, encumbrance or security interest created by the 2002 Resolution or by the 2002 Agreement.

For purposes of determining whether Variable Interest Rate Obligations 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 the 2002 Resolution, the interest to come due on such Variable Interest Rate Obligations on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated either at the Maximum Interest Rate permitted by the terms thereof or the actual rate at which such Obligations will bear interest to the their respective maturity or redemption dates; provided, however, that if on any date, as a result of such Variable Interest Rate Obligations 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 Obligations 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 Obligations in order to satisfy the 2002 Resolution, the Trustee shall, if requested by the Authority, pay the amount of such excess to the Authority free and clear of any trust, pledge, lien, encumbrance or security interest created by the 2002 Resolution or by the 2002 Agreement.

Option Obligations shall be deemed to have been paid in accordance with the 2002 Resolution only if, 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 Obligations which could become payable to the Holders of such Obligations upon the exercise of any options provided to the Holders of such Obligations; provided, however, that if, at the time a deposit is made with the Trustee pursuant to the 2002 Resolution, the options originally exercisable by the Holder of an Option Obligation are no longer exercisable, such Obligation shall not be considered an Option Obligation for purposes of the 2002 Resolution. 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 Obligations is not required for such purpose, the Trustee shall, if requested by the Authority, pay the amount of such excess to the Authority free and clear of any trust, pledge, lien, encumbrance or security interest created by the 2002 Resolution or by the 2002 Agreement.

Anything in the 2002 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 Obligations which remain unclaimed for one year after the date when such Obligations 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 year after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after said date when such Obligations become 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 Holders of Obligations shall look only to the Authority for the payment of such Obligations; provided, however, that, before being required to make any such payment to the Authority, the Trustee 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 30 nor more than 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)

No Recourse under Resolution or on the Obligations

All covenants, stipulations, promises, agreements and Obligations of the Authority contained in the 2002 Resolution shall be deemed to be the covenants, stipulations, promises, agreements and Obligations of the Authority and not of any member, officer or employee of the Authority in his individual capacity. No recourse shall be had for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on the Obligations or for any claims based thereon or on the 2002 Resolution against any member, officer or employee of the Authority, the Fund or the State University or any person executing the Obligations, all such liability, if any, being expressly waived and released by every Holder of Obligations by the acceptance of the Obligations.

(Section 14.04)

Certain Provisions Relating to Capital Appreciation Obligations and Deferred Income Obligations

For the purposes of (i) receiving payment of the Redemption Price if a capital Appreciation Obligation is redeemed prior to maturity, (ii) receiving payment of a Capital Appreciation Obligation if the principal of all Obligations is declared immediately due and payable following an event of default or

(iii) computing the principal amount of Obligations held by the registered owner of a Capital Appreciation Obligation in giving to the Authority or the Trustee any notice, consent, request, or demand pursuant hereto for any purpose whatsoever, the then current Accreted Value of such Obligation shall be deemed to be its principal amount.

For the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Obligation is redeemed, or (ii) receiving payment of a Deferred Income Obligation if the principal of all Obligations is declared immediately due and payable following an event of default or (iii) computing the principal amount of Obligations held by the registered owner of a Deferred Income Obligation in giving to the Authority or the Trustee any notice, consent, request, or demand pursuant to the 2002 Resolution for any purpose whatsoever, the then current Appreciated Value of such Obligation shall be deemed to be its principal amount.

(Section 14.07)

Credit Facility Provider as Holder

If provided in or authorized by the Series Resolution authorizing issuance of a Series of Obligations, the Authority may provide for the rights of the Provider of a Credit Facility in connection with Obligations of such Series, which rights may include that, whenever by the terms of the 2002 Resolution the Holders of any percentage in principal amount of Outstanding Obligations 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 Provider may be deemed to be the Holder of such Obligations.

(Section 14.08)

FORM OF APPROVING OPINION OF BOND COUNSEL

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FORM OF APPROVING OPINION OF BOND COUNSEL

437 Madison Avenue
New York, New York 10022-7001
(212) 940-3000
Fax: (212) 940-3111

[Date of Issuance]

Dormitory Authority of the
State of New York
515 Broadway
Albany, New York 12207

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $838,100,000 principal amount of Third General Resolution Revenue Bonds (State University Educational Facilities Issue), Series 2012A (the "Series 2012A Bonds"), by the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York, including the Dormitory Authority Act, being Title 4 of Article 8 of the Public Authorities Law of the State of New York, as amended to the date hereof, including, without limitation, by the Healthcare Financing Consolidation Act, being Title 4–B of the Public Authorities Law of the State of New York, as amended to the date hereof (the "Act"). We have also examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth.

The Series 2012A Bonds are issued under and pursuant to the Act, the Third General Revenue Obligation Resolution, adopted on September 4, 2002 (as amended and supplemented to the date hereof, the "Resolution"), the Authority's State University Educational Facilities Series 2011 Resolution Authorizing a Series of Third General Resolution Revenue Bonds (State University Educational Facilities Issue), adopted on September 21, 2011 (the "Series Resolution") and the Bond Series Certificate, dated as of February 15, 2012, executed by the Authority and relating to the Series 2012A Bonds (the "Bond Series Certificate"). Said resolutions and the Bond Series Certificate are herein collectively referred to as the "Resolutions." Unless otherwise defined herein, capitalized terms used herein have the respective meanings given to them in the Resolutions.

The Series 2012A Bonds are part of an issue of bonds of the Authority (the "Bonds"), which the Authority has established and created under the terms of the Resolution and is authorized to issue from time to time for the purposes authorized by the Act and the Resolution, as then in effect, and without limitation as to amount, except as provided in the Resolutions or as may be limited by law. The Series 2012A Bonds are being issued for the purposes set forth in the Resolutions.

The Authority is authorized to issue Bonds, in addition to the Series 2012A Bonds, only upon the terms and conditions set forth in the Resolution and such Bonds, when issued, will with the Series 2012A Bonds be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

The Series 2012A Bonds are dated their date of delivery and will bear interest at the rates and mature on May 15, of each of the years and in the principal amounts set forth below.

Due May 15	Principal Amount	Interest Rate	Due May 15	Principal Amount	Interest Rate
2014	$9,990,000	3.00%	2020	$29,130,000	5.00%
2015	8,280,000	3.00	2021	12,815,000	4.00
2015	7,275,000	4.00	2021	43,205,000	5.00
2016	3,115,000	3.00	2022	16,090,000	4.00
2016	7,660,000	4.00	2022	42,885,000	5.00
2017	3,400,000	3.00	2023	56,095,000	5.00
2017	35,470,000	4.00	2024	61,385,000	5.00
2017	27,325,000	5.00	2025	73,040,000	5.00
2018	7,450,000	3.00	2026	71,445,000	5.00
2018	30,590,000	4.00	2027	65,030,000	5.00
2018	34,350,000	5.00	2028	30,000,000	4.00
2019	31,535,000	4.00	2028	23,485,000	5.00
2019	21,335,000	5.00	2029	36,660,000	5.00
2020	28,520,000	4.00	2030	20,540,000	5.00

The Series 2012A Bonds are issuable in the form of fully registered Bonds in denominations of $5,000 or any integral multiples thereof and are numbered consecutively from one upward in order of issuance.

The Series 2012A Bonds are subject to redemption prior to maturity and purchase–in–lieu–of–optional redemption as provided in the Resolutions.

The Authority, the State University Construction Fund (the "Fund") and the State University of New York (the "University") have entered into a Financing Agreement, dated as of September 4, 2002, by and between the Authority, the Fund and the University, as amended and supplemented to the date hereof (the "Agreement"), pursuant to which the Fund, from money appropriated and paid to it by the State of New York, is annually to make payments, at times and in amounts sufficient to pay, among other amounts, the principal and Sinking Fund Installments of and interest on Outstanding Bonds (the "Annual Payments"). The Annual Payments made for the payment of the principal or Redemption Price of or interest on the Bonds are to be paid to the Trustee and the Authority has pledged and assigned such Annual Payments for the benefit of the Holders of Outstanding Bonds, including the Series 2012A Bonds.

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 2012A Bonds thereunder.

2. The Series Resolution has been duly adopted by the Authority in accordance with the provisions of the Resolution and is authorized and permitted by the Resolution. The Resolution and the Series Resolution have been duly and lawfully adopted by the Authority, are in full force and effect and are legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms.

3. The Series 2012A 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 2012A 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 legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms.

5. The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2012A Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2012A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2012A Bonds. The Authority has covenanted in the Series Resolution and the Tax Certificate as to Arbitrage and the Provisions of Section 141–150 of the Internal Revenue Code (the "Tax Certificate") and the University and the Fund have covenanted in the Financing Agreement and the Tax Certificate to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2012A Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code. In addition, the Authority, the University and the Fund have made certain representations and certifications in the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

Under existing law, assuming compliance with the tax covenants described above and the accuracy of certain representations and certifications made by the Authority, the University and the Fund described above, interest on the Series 2012A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2012A Bonds is, however, included in the adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed such corporations.

6. Interest on the Series 2012A Bonds is exempt, by virtue of the Act, from personal income taxes of the State of New York and its political subdivisions, including The City of New York and the City of Yonkers. No opinion is expressed as to other state or local tax law consequences arising with respect to the Series 2012A Bonds nor as to the taxability of the Series 2012A Bonds or the income derived therefrom under the laws of any state other than the State of New York.

We have examined an executed Series 2012A Bond and, in our opinion, the form of said Bond and its execution are regular and proper.

The opinions contained in paragraphs 2, 3 and 4 above are qualified to the extent that the enforceability of the Resolutions, the Financing Agreement and the Series 2012A Bonds 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 paragraphs 5 and 6 above, we express no opinion as to any other federal or state tax consequences of the ownership or disposition of the Series 2012A Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Series 2012A Bonds, or the interest thereon, if any action is taken with respect to Series 2012A Bonds or the proceeds thereof upon the advice or approval of other counsel.

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 the Fund. We have assumed due authorization, execution and delivery by the University of the agreements to which they are a party.

Very truly yours,

INFORMATION RELATING TO THE REFUNDED BONDS

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BONDS TO BE REFUNDED

The following tables set forth by Series, maturity date and principal amount the obligations to be refunded, and the payment date for such obligations. The refunding is contingent upon the delivery of the Series 2012A Bonds.

Series	**Maturity Date**	**Initial Interest Rate**[1]	**Par Outstanding**	**Par Refunded**	**Payment Date**
2002B	11/15/23[T]	5.250%	$539,810,000	$539,810,000	5/15/12
2002B	11/15/23	6.000	50,000,000	50,000,000	5/15/12
2002B	11/15/26[T]	5.250	141,460,000	141,460,000	5/15/12
2002B	11/15/29[T]	5.250	197,000,000	197,000,000	5/15/12
2002B	11/15/29	6.000	30,000,000	30,000,000	5/15/12
2002B	11/15/30	3.750	20,325,000	20,325,000	5/15/12

Notes:

T -Term bond, final maturity.

[1] The refunded Bonds bear interest at the initial Interest Rate for an Initial Term Rate Period ending May 15, 2012.

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FORM OF CONTINUING DISCLOSURE AGREEMENT

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DORMITORY AUTHORITY OF THE STATE OF NEW YORK
THIRD GENERAL RESOLUTION REVENUE BONDS
(STATE UNIVERSITY EDUCATIONAL FACILITIES ISSUE), SERIES 2012A

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT, dated as of __________, 2012 (this “Agreement”), is made by and among the Authority, the State and the Trustee, each as defined below in Section 1.

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 in connection with the public offering of the Bonds (as defined in Section 1), the parties hereto, in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby agree for the sole and exclusive benefit of the Holders as follows:

Definitions. Capitalized terms used but not defined herein as follows shall have the meaning ascribed to them in the Resolution.

“Agreement” shall mean this Agreement as the same from time to time may be amended and supplemented in accordance with the terms hereof.

“Annual Information” shall mean the information specified in Section 3 hereof.

“Authority” shall mean the Dormitory Authority of the State of New York, a public benefit corporation of the State of New York and the issuer of the Bonds and any successor thereto.

“Bonds” shall mean the Dormitory Authority of the State of New York Third General Resolution Revenue Bonds (State University Educational Facilities Issue), Series 2012A.

“Comptroller” shall mean the Comptroller of the State of New York.

“Director” shall mean the Director of the Budget of the State of New York.

“DOB” shall mean the Division of the Budget of the State of New York.

“DTC” shall mean the Depository Trust Company, New York, New York, which is acting as the Depository for the Bonds within the meaning of the Resolution.

“EMMA” shall mean the Electronic Municipal Market Access system described in 1934 Act Release No. 59062 (or any successor electronic information system) and maintained by the MSRB as the sole repository for the central filing of electronic disclosure pursuant to Rule 15c2-12.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

"GAAS" shall mean generally accepted auditing standards as in effect from time to time in the United States.

"Holder" shall mean any registered owner of the Bonds and for the purpose of Section 5 of this Agreement only, if registered in the name of DTC (or a nominee thereof) or in the name of any other entity (or a nominee thereof) that acts as a "clearing corporation" within the meaning of the New York Uniform Commercial Code and is a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended, any beneficial owner of Bonds.

"MSRB" shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15(b) (1) of the Securities Exchange Act of 1934, as amended.

"Official Statement" shall mean the Official Statement of the Authority dated February 15, 2012, relating to the Bonds.

"Outstanding" shall mean Outstanding within the meaning of the Resolution.

"Resolution" shall mean the Authority's Third General Revenue Obligation Resolution (State University Educational Facilities Issue) adopted by the Authority on September 4, 2002 together with the Series Resolution adopted thereunder authorizing the issuance of the Bonds.

"Rule 15c2-12" shall mean Rule 15c2-12 (as amended through the date of this Agreement including any official interpretations thereof promulgated on or prior to the effective date hereof), promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

"State" shall mean the State of New York, an "obligated person" with respect to the Bonds within the meaning of Rule 15c2-12.

"Trustee" shall mean Deutsche Bank Trust Company Americas, New York, New York, a trust company organized and existing under the laws of the United States of America.

"Underwriter" shall mean the underwriter or underwriters that have contracted to purchase the Bonds from the Authority upon initial issuance.

<u>Obligations to Provide Continuing Disclosure</u>.

<u>Obligations of the State</u>.

(a) The State, acting by and through the Director, hereby undertakes, for the benefit of Holders of the Bonds, to provide, no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2012 to EMMA the Annual Information described in Sections 3(i)(a) and 3(i)(b) relating to such fiscal year.

(b) The State, acting by and through the Comptroller, hereby undertakes, for the benefit of the Holders of the Bonds, to provide, no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2012, audited financial statements of the State for such fiscal year to EMMA; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be so provided and such audited financial statements shall be delivered to EMMA if and when they become available.

(c) The Director and the Trustee shall notify the Authority and the Trustee (unless such notice is from the Trustee), upon the occurrence of any of the fourteen events listed in Section 2(ii) hereof promptly upon becoming aware of the occurrence of any such event.

Obligations of the Authority. The Authority hereby undertakes, for the benefit of the Holders of the Bonds, to provide to:

the MSRB, in a timely manner not in excess of ten business days after the occurrence of any of the events listed below, notice of any such events with respect to the Bonds:

principal and interest payment delinquencies;

non-payment related defaults, if material;

unscheduled draws on debt service reserves reflecting financial difficulties;

unscheduled draws on credit enhancement reflecting financial difficulties;

substitution of credit or liquidity providers, or their failure to perform;

adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices and determinations with respect to the tax status of the securities or other material events affecting the tax status of the securities;

modification to rights of the security holders, if material;

bond calls, if material, and tender offers;

defeasances;

release, substitution, or sale of property securing repayment of the securities, if material;

rating changes;

bankruptcy, insolvency, receivership or similar event of the obligated person;

the consummation of a merger, consolidation or acquisition involving an obligated person, or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

appointment of a successor or additional trustee or the change of name of a trustee, if material.

the MSRB, in a timely manner, notice of a failure by the State to comply with Sections 2(i)(a) or 2(i)(b) hereof.

Termination of Disclosure Obligation. The obligations of the State pursuant to Sections 2(i)(a) and 2(i)(b) hereof may be terminated if the State is no longer an "obligated person" as defined in Rule 15c2-12. Upon any such termination, the Authority shall electronically file notice thereof with the MSRB.

Other Information. Nothing herein shall be deemed to prevent the Authority or the State from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Authority or the State should disseminate any such additional information, the Authority or the State shall have no obligation hereunder to update such information or include it in any future materials disseminated hereunder.

Disclaimer by the Authority. The Authority shall be under no obligation to the Holders or any other party hereto to review or otherwise pass upon the Annual Information or the financial statements provided by the State pursuant to Sections 2(i)(a) or 2(i)(b) hereof.

Annual Information.

Specified Information. The Annual Information shall consist of the following:

financial information and operating data of the type included in the Annual Information Statement of the State set forth in Appendix B to the Official Statement, 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:

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.

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;

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

material information regarding State government employment and retirement systems;

(b) together with 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.

Cross Reference. All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents which have been electronically filed with the MSRB; provided, however, that if the document is an official statement, it shall have been electronically filed with the MSRB and need not have been filed elsewhere.

Information Categories. The requirements contained in this Agreement under Section 3(i) are intended to set forth a general description of the type of financial information and operating data to be provided; such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of Section 3(i) call for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided.

Financial Statements.

The annual financial statements of the State for each fiscal year shall be prepared in accordance with GAAP unless applicable accounting principles are otherwise disclosed and audited by an independent accounting firm in accordance with GAAS but only if audited financial statements are otherwise available to be provided for such fiscal year.

Remedies.

The sole and exclusive remedy for breach of this Agreement shall be an action to compel specific performance of the obligations of the parties hereunder. No person or entity shall be entitled to recover any monetary damages hereunder under any circumstances. The Authority or the State may be compelled to comply with their respective obligations under this Agreement (i) in the case of enforcement of their obligations to provide information required hereunder, by any Holder of Outstanding Bonds or by the Trustee on behalf of the Holders of Outstanding Bonds or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the Holders of Outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the Holders of not less than 25% in aggregate principal amount of Bonds at the time Outstanding.

Failure by any party to perform its obligations hereunder shall not constitute an Event of Default under the Resolution or any other agreement executed and delivered in connection with the issuance of the Bonds.

Parties in Interest.

This Agreement is executed and delivered solely for the benefit of the Holders of the Bonds. No other person (other than the Trustee on behalf of the Holders) shall have any right to enforce the provisions hereof or any other rights hereunder, except that the Authority shall have the right to enforce the provisions hereof and to assert rights hereunder.

Amendments.

Without the consent of any Holders of Bonds, the Authority, the State and the Trustee at any time and from time to time may enter into amendments to this Agreement for any of the following purposes:

to comply with or conform to any changes in Rule 15c2-12 or any formal authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), which are applicable to the Agreement;

to add or change a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

to evidence the succession of another person to the State, the Trustee or the Authority and the assumption by any such successor of the covenants of the State, the Trustee or the Authority hereunder;

to add to the covenants of the State or the Authority for the benefit of the Holders, or to surrender any right or power herein conferred upon the State or the Authority;

for any purposes for which, and subject to the conditions pursuant to which, amendments may be made under Rule 15c2-12, as amended or modified from time to time, or any formal authoritative interpretations thereof by the Securities and Exchange Commission or its staff, which are applicable to the Agreement; or

for any other purpose, if (a) the amendment is made in connection with a change in circumstances that arise from a change in legal requirements, change in law, or change in identity or nature, or status of the Authority or the State or any type of business or affairs conducted by either; (b) the undertakings set forth herein, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering of the Bonds, after taking into account any amendments, or formal authoritative interpretations by the Securities and Exchange Commission of Rule 15c2-12 as well as any change in circumstances; and (c) the amendment does not materially impair the interests of the Holders, as determined either by the Trustee or by nationally recognized bond counsel. (In determining whether or not there is such an adverse effect, the Trustee may rely upon an opinion of nationally recognized bond counsel.)

Annual Information for any fiscal year containing any amended operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change on the type of operating data or financial information in the Annual Information being provided for such fiscal year.

If a change in accounting principles is included in any such amendment, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles for the fiscal year in which such change is made. The comparison should include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the State to meet its obligations. To the extent reasonably feasible, the comparison also should be quantitative. A notice of the change in accounting principles shall be electronically filed with the MSRB.

Termination.

This Agreement shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Bonds shall have been paid in full or the Bonds shall have otherwise been paid or defeased in accordance with the Resolution (a "Legal Defeasance"); provided, however, that if Rule 15c2-12 (or successor provision) shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then such information shall no longer be required to be provided hereunder; and provided, further, that if to the extent Rule 15c2-12 (or successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise inapplicable to the Bonds, then the information required to be provided hereunder, insofar as it was required to be provided by a provision of Rule 15c2-12 so declared, shall no longer be required to be provided hereunder. Upon any Legal Defeasance, the Authority shall electronically file with the MSRB notice of such defeasance and such notice shall state whether the Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption. Upon any other termination pursuant to this Section 8, the Authority shall electronically file with the MSRB notice of such termination.

The Trustee.

Except as set forth herein, this Agreement shall not create any obligation or duty on the part of the Trustee and the Trustee shall not be subject to any liability hereunder for acting or failing to act as the case may be.

The Trustee shall be indemnified and held harmless in connection with this Agreement, to the same extent provided in the Resolution for matters arising thereunder.

Governing Law.

This Agreement shall be governed by the Laws of the State of New York determined without regard to principles of conflict of law.

Counterparts.

This Agreement may be executed in counterparts by the parties hereto, and each such counterpart shall be considered an original and all such counterparts shall constitute one and the same instrument.

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IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this Agreement as of the date first written above.

DEUTSCHE BANK TRUST COMPANY AMERICAS, Trustee for the benefit of the Holders

By: ______________________________
Authorized Officer

DORMITORY AUTHORITY OF THE STATE OF NEW YORK, Issuer

By: ______________________________
Authorized Officer

STATE OF NEW YORK, Obligated Person

By: COMPTROLLER

By: ______________________________
Name:
Title:

By: DIRECTOR OF THE BUDGET

By: ______________________________
Name:
Title:

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DORMITORY AUTHORITY OF THE STATE OF NEW YORK
THIRD GENERAL RESOLUTION REVENUE BONDS (STATE UNIVERSITY EDUCATIONAL FACILITIES ISSUE), SERIES 2012A

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