Moody's: Aa2
Standard & Poor's: AA-
(See "Ratings" herein)

NEW ISSUE

$234,720,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
LEASE REVENUE BONDS (STATE UNIVERSITY DORMITORY FACILITIES ISSUE), SERIES 2012A

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

Payment: The Lease Revenue Bonds (State University Dormitory 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 from payments to be paid by the State University of New York (the "University") under the Lease and Agreement, dated as of September 20, 1995, between the Authority and the University, as amended and restated as of September 24, 2003 (as amended and restated to the date hereof, the "Agreement"), and as otherwise provided by the Authority's Lease Revenue Bond Resolution (State University Dormitory Facilities Issue), adopted by the Authority on September 20, 1995, as amended and restated on September 24, 2003 (the "Resolution"), the Authority's Series 2012A Resolution Authorizing a Series of Lease Revenue Bonds (State University Dormitory Facilities Issue), adopted by the Authority on June 20, 2012 (the "Series 2012A Resolution"), and the Bond Series Certificate, dated as of September 11, 2012, relating to the Series 2012A Bonds (the "Bond Series Certificate"). The Resolution, the Series 2012A Resolution and the Bond Series Certificate are collectively referred to herein as the "Resolutions."

The Series 2012A Bonds will not be a debt of the State of New York (the "State") or the University and neither the State nor the University will be liable on the Series 2012A Bonds. The Authority has no taxing power.

Description: 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 bear interest at the rates and mature at the times shown on the inside cover hereof.

Interest (due January 1, 2013 and semiannually each July 1 and January 1 thereafter) will be payable by check mailed to the registered owners of the Series 2012A Bonds at their addresses as shown on the registration books held by Manufacturers and Traders Trust Company, as trustee (the "Trustee", or, at the option of the holder of at least $1,000,000 in principal amount of Series 2012A Bonds, by wire transfer to the holder of such Series 2012A Bonds, each as of the close of business on the fifteenth day of the month next preceding an interest payment date. The principal or Redemption Price of the Series 2012A Bonds will be payable at the principal corporate trust office of the Trustee or, with respect to the Redemption Price, at the option of the holder of at least $1,000,000 in principal amount of Series 2012A Bonds, by wire transfer to the holder of such Series 2012A Bonds as more fully described herein.

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 such 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 DTC participants. See "PART 2 - DESCRIPTION OF THE SERIES 2012A BONDS - Book-Entry Only System."

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

Tax Matters: In the opinion of Nixon Peabody LLP, 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 the University 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"). Nixon Peabody LLP 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. Nixon Peabody LLP is further of the opinion that interest on the Series 2012A Bonds is, by virtue of the Act, exempt from personal income taxes imposed by the State of New York and its political subdivisions. See "PART 11 - TAX MATTERS" herein regarding certain other tax considerations.

The Series 2012A Bonds are offered when, as and if issued and received by the Underwriters. 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, and Drohan Lee LLP, New York, New York, Co-Bond Counsel to the Authority, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by Bryan Cave LLP. The Authority expects to deliver the Series 2012A Bonds in definitive form in New York, New York, on or about September 19, 2012.

Ramirez & Co., Inc. **Jefferies**

BofA Merrill Lynch
Morgan Stanley
Raymond James | Morgan Keegan
Janney Montgomery Scott LLC
M&T Securities, Inc.
Roosevelt & Cross Incorporated
Southwest Securities, Inc.
Loop Capital Markets LLC
Oppenheimer & Co.
Siebert Brandford Shank & Co., LLC

September 11, 2012

$234,720,000

DORMITORY AUTHORITY OF THE STATE OF NEW YORK

LEASE REVENUE BONDS

(STATE UNIVERSITY DORMITORY FACILITIES ISSUE),

SERIES 2012A

Maturity Schedule

Due July 1	Amount	Interest Rate	Yield	CUSIP Number[1]	Due July 1	Amount	Interest Rate	Yield	CUSIP Number[1]
2013	$8,580,000	2.000%	0.200%	64990HQK9	2024	$ 120,000	4.000%	2.420%[+]	64990HQW3
2014	2,980,000	3.000	0.370	64990HQL7	2024	7,105,000	5.000	2.420[+]	64990HRJ1
2015	4,840,000	4.000	0.480	64990HQM5	2025	7,595,000	5.000	2.520[+]	64990HQX1
2016	5,030,000	4.000	0.620	64990HQN3	2026	7,965,000	5.000	2.580[+]	64990HQY9
2017	5,210,000	5.000	0.880	64990HQP8	2027	8,370,000	5.000	2.640[+]	64990HQZ6
2018	5,470,000	5.000	1.170	64990HQQ6	2028	6,470,000	5.000	2.700[+]	64990HRA0
2019	5,760,000	4.000	1.470	64990HQR4	2029	6,790,000	5.000	2.760[+]	64990HRB8
2020	6,390,000	5.000	1.740	64990HQS2	2030	7,130,000	5.000	2.820[+]	64990HRC6
2021	6,705,000	5.000	2.010	64990HQT0	2031	7,485,000	5.000	2.880[+]	64990HRD4
2022	7,050,000	5.000	2.170	64990HQU7	2032	4,340,000	5.000	2.940[+]	64990HRK8
2023	2,015,000	4.000	2.340[+]	64990HQV5	2032	3,480,000	3.000	3.000	64990HRE2
2023	4,835,000	5.000	2.340[+]	64990HRH5					

$45,245,000 5.000% Term Bonds Due July 1, 2037
Yield: 3.310%[+] CUSIP Number:[1] 64990HRF9

$57,760,000 5.000% Term Bonds Due July 1, 2042
Yield: 3.370%[+] CUSIP Number:[1] 64990HRG7

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(1) Copyright 2009, American Bankers Association. CUSIP numbers have been assigned by an organization not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2012A Bonds. None of the Authority, the State, the University or the Underwriters are responsible for the selection or uses of these CUSIP numbers and no representation is made as to their correctness on the Series 2012A Bonds or as indicated above. 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.

\+ Yield calculated to the first optional redemption date (July 1, 2022).

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

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 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 University and the State, sources that the Authority believes are reliable. The Authority does not guarantee the accuracy or completeness of such information, however, and the information provided by such sources is not to be construed as a representation of the Authority. See "PART 19 - SOURCES OF INFORMATION AND CERTIFICATIONS" of the Official Statement for a description of the information provided by the various sources.

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

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

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

IN CONNECTION WITH THE OFFERING OF THE SERIES 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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PAUL T. WILLIAMS JR. - PRESIDENT ALFONSO L. CARNEY JR. - CHAIR

OFFICIAL STATEMENT

relating to

$234,720,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
LEASE REVENUE BONDS
(STATE UNIVERSITY DORMITORY FACILITIES ISSUE),
SERIES 2012A

PART 1 - INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page, the inside cover page and appendices, is to provide information about the Authority, the University and the State, all in connection with the offering by the Authority of $234,720,000 principal amount of its Lease Revenue Bonds (State University Dormitory Facilities Issue), Series 2012A (the "Series 2012A Bonds").

The following is a brief description of certain information concerning the Series 2012A Bonds, the Authority 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 for the purpose of providing funds which, together with other available money, will be used to: (i) pay Costs of the Project; (ii) refund the Refunded Bonds (as defined herein) previously issued by the Authority for the benefit of the University, (iii) pay capitalized interest on a portion of the Series 2012A Bonds; and (iv) pay the Costs of Issuance of the Series 2012A Bonds. See "PART 5 - ESTIMATED SOURCES AND USES OF FUNDS" and "PART 6 - THE PROJECT AND THE REFUNDING PLAN."

Authorization of Issuance

The Series 2012A Bonds will be issued pursuant to the Act, the Resolution, the Series 2012A Resolution and the Bond Series Certificate. In addition to the Series 2012A Bonds, the Resolution authorizes the issuance of other Series of Bonds to finance Costs of the Project, the refunding of certain obligations of the Authority, to pay Costs of Issuance of the Bonds and for such other purposes as are authorized by the Resolution. All Bonds issued under the Resolution will rank on a parity with each other and will be secured equally and ratably with each other. As of August 1, 2012, there are $1,322,010,000 of Bonds Outstanding under the Resolution.

Payment of and Security for the Bonds

The Bonds, including the Series 2012A Bonds, are special obligations of the Authority payable from amounts to be paid to the Authority (the "Basic Rent") by the University pursuant to the Agreement and from all funds and accounts (other than the Arbitrage Rebate Fund and any fund established for the payment of the purchase price or Redemption Price of Option Bonds tendered or deemed tendered for purchase) established pursuant to the Resolution. See "PART 3 - SOURCES OF PAYMENT AND SECURITY FOR THE BONDS."

The Authority has no taxing power. The Series 2012A Bonds will not be a debt of the State or the University and neither the State nor the University will be liable on the Series 2012A Bonds.

The Project

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

The Authority

The Authority is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public-purpose facilities and facilities for certain educational and not-for-profit institutions. See "PART 8 - THE AUTHORITY."

The University and the State

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

Dormitory Income Account

Under the Agreement, the University is obligated to pay, as received, into the Dormitory Income Account all rents, fees and charges received by the University from students or other persons for the use and occupancy of the Project. The Dormitory Income Account is held by the State Comptroller separate and apart from the General Fund of the State. Based on its interpretation of applicable law, the State Comptroller has required legislative appropriations of money as a prerequisite to disbursement of funds from the Dormitory Income Account. Historically, it has been the State Legislature's practice to appropriate money in the Dormitory Income Account for expenditure by the University for the intended purposes of such funds, including the payment of Rentals. See "PART 3 - SOURCES OF PAYMENT AND SECURITY FOR THE BONDS - Dormitory Income Account."

PART 2 - DESCRIPTION OF THE SERIES 2012A BONDS

General Description

The Series 2012A Bonds will be issued pursuant to the Act, the Resolution, the Series 2012A Resolution and the Bond Series Certificate. The Series 2012A Bonds will be dated the date of delivery, will bear interest from that date (payable January 1, 2013 and on each July 1 and January 1 thereafter) at the rates per annum and will mature on July 1 of each of the designated years in the principal amounts shown on the inside cover page of this Official Statement.

The Series 2012A Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Series 2012A Bonds will initially be registered in the name of Cede & Co., as nominee of DTC (defined under "Book-Entry Only System" below) pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Series 2012A Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2012A Bonds, the Series 2012A Bonds will be exchangeable for other fully registered Series 2012A Bonds in any other authorized denominations of the same maturity without charge except for the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. See "Book-Entry Only System" below.

Interest on the Series 2012A Bonds will be payable by check mailed to the registered owners thereof as their names appear on the registration books of the Authority at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding the applicable interest payment date. The principal or Redemption Price of the Series 2012A Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of the Trustee and Paying Agent. As long as the Series 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" below.

Redemption and Purchase in Lieu of Optional Redemption

The Series 2012A Bonds are subject to optional and mandatory redemption and to purchase in lieu of optional redemption as described below.

Optional Redemption

The Series 2012A Bonds maturing on or before July 1, 2022 are not subject to redemption prior to maturity. The Series 2012A Bonds maturing after July 1, 2022 are subject to redemption prior to maturity, at the election of the Authority, on or after July 1, 2022, in any order, in whole or in part at any time, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Mandatory Redemption

In addition, the Series 2012A Bonds maturing on July 1, 2037 and July 1, 2042 are also subject to redemption, in part, on each July 1 of the years and in the respective principal amounts set forth below, at a Redemption Price equal to 100% of the principal amount thereof to be redeemed from mandatory Sinking Fund Installments, plus accrued interest to the date of redemption, which are required to be made in amounts sufficient to redeem on July 1 of each year the principal amount of the Series 2012A Bonds specified for each of the years shown below:

Series 2012A Bonds Maturing on July 1, 2037		Series 2012A Bonds Maturing on July 1, 2042	
Year	Principal Amount	Year	Principal Amount
2033	$ 8,185,000	2038	$ 10,445,000
2034	8,590,000	2039	10,985,000
2035	9,035,000	2040	11,535,000
2036	9,485,000	2041	12,095,000
2037†	9,950,000	2042†	12,700,000

† Final Maturity.

There will be credited against and in satisfaction of all or a portion of a Sinking Fund Installment payable on any date, the principal amount of Series 2012A Bonds entitled to such Sinking Fund Installment (A) purchased with money in the Debt Service Fund pursuant to the Resolution, (B) redeemed at the option of the Authority, (C) purchased by the University or the Authority and delivered to the Trustee for cancellation or (D) deemed to have been paid in accordance with the Resolution. Series 2012A Bonds purchased with money in the Debt Service Fund will be applied against and in fulfillment of the Sinking Fund Installment of the Series 2012A Bonds so purchased payable on the next succeeding July 1. Series 2012A Bonds redeemed at the option of the Authority, purchased by the Authority or the University (other than from amounts on deposit in the Debt Service Fund) and delivered to the Trustee for cancellation or deemed to have been paid in accordance with the Resolution will be applied in satisfaction, in whole or in part, of one or more Sinking Fund Installments as the Authority may direct in its discretion. To the extent the Authority's obligation to make Sinking Fund Installments in a particular year is so satisfied, the likelihood of redemption through mandatory Sinking Fund Installments of a Bondholder's Series 2012A Bonds of the maturity entitled to such Sinking Fund Installment will be reduced for such year.

Selection of Series 2012A Bonds to be Redeemed

In the case of redemptions of less than all of the Series 2012A Bonds, other than through mandatory Sinking Fund Installments, the Authority will select the maturities of the Series 2012A Bonds to be redeemed. If less than all of the Series 2012A Bonds of a maturity are to be redeemed, the Series 2012A Bonds of such maturity to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee shall consider proper in its discretion.

Notice of Redemption

Notice of the redemption of the Series 2012A Bonds will be given by the Trustee 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, but the failure of any registered owners to receive notice mailed in accordance with the Resolution will not affect the validity of the proceedings for the redemption of the Series 2012A Bonds. Any such notice may contain conditions to the Authority's obligation to redeem the Series 2012A Bonds. See "Appendix E - Summary of Certain Provisions of the Resolution."

The Authority's obligation to optionally redeem a Series 2012A Bond may be conditioned upon the availability of sufficient money to pay the Redemption Price for all of the Series 2012A Bonds to be redeemed on the redemption date. If sufficient money is available on the redemption date to pay the Redemption Price and if notice has been mailed and the conditions, if any, to such redemption have been satisfied or waived by the Authority, then interest on the Series 2012A Bonds of such maturity will cease to accrue from and after the redemption date and such Series 2012A Bonds will no longer be considered to be Outstanding under the Resolution.

Purchase In Lieu of Optional Redemption

The Series 2012A Bonds maturing after July 1, 2022 are also subject to purchase prior to maturity, at the election of the Authority, on or after July 1, 2022**,** in any order, in whole or in part at any time, at a purchase price equal to 100% of the principal amount of the Series 2012A Bonds to be purchased (the "Purchase Price"), plus accrued interest to the date of 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 will remain Outstanding under the Resolution and continue to bear interest.

The Authority's obligation to purchase a Series 2012A Bond may be 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 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.

If 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 complete description of the redemption and other provisions relating to the Series 2012A Bonds, see "Appendix E - Summary of Certain Provisions of the Resolution." Also, see "Book-Entry System" below for a description of the notices of redemption to be given to Beneficial Owners of the Series 2012A Bonds when the Book-Entry Only System is in effect.

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 securities in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2012A Bond certificate will be issued for each maturity of the Series 2012A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, 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"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 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 any Series of the Series 2012A Bonds, except in the event that use of the book entry system for a Series of 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 shall be sent to DTC. If less than all of the Bonds within a maturity of the Series 2012A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

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

DTC may discontinue providing its service as securities depository with respect to the Series 2012A Bonds at any time by giving notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the Series 2012A Bond certificates are required to be delivered as described in the Resolution.

The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Series 2012A Bonds if the Authority determines that (i) DTC is unable to discharge its responsibilities with respect to the Series 2012A Bonds, or (ii) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of

Beneficial Owners. In the event that no substitute securities depository is found by the Authority or restricted registration is not in effect, Series 2012A Bond certificates will be delivered as described in the Resolution.

Each person for whom a Participant acquires an interest in the Series 2012A Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2012A BONDS.

So long as Cede & Co. is the registered owner of the Series 2012A Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2012A Bonds (other than under the captions "PART 11 - TAX MATTERS" and "PART 18 - CONTINUING DISCLOSURE" herein) means Cede & Co., as aforesaid, and not the Beneficial Owners of the Series 2012A Bonds.

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

For every transfer and exchange of Series 2012A Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

PART 3 - SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

Set forth below is a narrative description of certain contractual and legislative provisions relating to the sources of payment of and security for the Series 2012A Bonds and for the Rentals. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Resolution, the Agreement, the Series Resolution and the Bond Series Certificate for a more complete description of such provisions. Copies of the Resolution, the Agreement, the Series Resolution and the Bond Series Certificate are on file with the Authority and the Trustee. For a more complete statement of the rights, duties and obligations of the parties thereto, see also "Appendix D - Summary of Certain Provisions of the Agreement" and "Appendix E - Summary of Certain Provisions of the Resolution."

General

The Bonds issued under the Resolution, including the Series 2012A Bonds, are special obligations of the Authority payable solely from the Revenues and from all funds and accounts (other than the Arbitrage Rebate Fund and any fund established for the payment of the purchase price or Redemption Price of Option Bonds tendered or deemed tendered for purchase) established and pledged pursuant to the Resolution. The Revenues consist of the Basic Rent payable by the University to the Authority under the Agreement and all rents, income and profits from the operation, reletting or sale of the Facilities upon the Authority's reentry upon the Facilities. The Revenues and the right to receive them have been pledged to the Trustee for the benefit of the Holders of the Bonds, including the Series 2012A Bonds. The Authority reserves the right to issue bonds under separate resolutions which would be payable on a parity basis with the Bonds, including the Series 2012A Bonds.

The Authority has no taxing power. The Bonds, including the Series 2012A Bonds, are not a debt of the State or the University and neither the State nor the University will be liable on them.

Payment of the Bonds

The Bonds, including the Series 2012A Bonds, are special obligations of the Authority payable primarily from the Basic Rent. Basic Rent is one of the major components of the Rentals, which are amounts required to be paid as described hereafter to the Authority by the University pursuant to the Agreement.

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

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

Payment of Rentals

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

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

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

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

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

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

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

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

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

Security for the Bonds

Payment of the principal and Sinking Fund Installments of and interest on the Bonds, including the Series 2012A Bonds, will be secured by the Revenues, the proceeds from the sale of Bonds, and by all funds and accounts established under the Resolution (with the exception of the Arbitrage Rebate Fund and any fund established for the payment of the purchase price or Redemption Price of Option Bonds tendered or deemed tendered for purchase). The security for the Series 2012A Bonds will be for the benefit of all other Bonds issued under the Resolution, which Bonds will rank on a parity and be secured equally and ratably with each other and with the Series 2012A Bonds. The aggregate principal amount of Bonds which may be issued pursuant to the Resolution is not limited except as so provided in the Resolution and the Act.

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

Ability to Grant Rights to Providers of Credit Facilities

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

Defaults and Remedies Under the Agreement

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

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

Termination of the Agreement

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

Dormitory Income Account

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

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

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

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

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

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

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

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

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

The following table sets forth the total amount of revenues received for operations during the indicated Fiscal Years ended June 30 and deposited in the Dormitory Income Account. In the Agreement, the University agrees to deposit into the Dormitory Income Account the revenues from certain facilities for which no Bonds are Outstanding, referred to as the Defeased Facilities. The amounts shown as Room Rental Income are from Facilities of the Project including the Defeased Facilities. The University has the right to withdraw Defeased Facilities with the consent of the Authority. In such event the revenues from such Defeased Facilities would no longer be deposited into the Dormitory Income Account. Approximately 8% of the Facilities are Defeased Facilities.

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

	Fiscal Year Ended June 30,				
	2007	**2008**	**2009**	**2010**	**2011**
Beginning Cash Balance at July 1	$ 77.4	$103.4	$120.1	$132.7	$149.7
Revenue					
Room Rental Income	$350.9	$377.2	$401.1	$422.4	$448.1
College Fees					
Miscellaneous & Transfers	35.5	46.4	28.8	40.5	36.0
Total Revenues	$386.4	$423.6	$429.9	$462.9	$484.1
Expenditures					
Dormitory Operations	$256.6	$276.3	$284.3	$289.5	$311.3
Debt Service Payments	60.6	70.0	77.5	81.2	89.6
Other Programs & Transfers	43.2	60.6	55.5	75.2	59.8
Total Expenditures	$360.4	$406.9	$417.3	$445.9	$460.7
Ending Cash Balance at June 30	$103.4	$120.1	$132.7	$149.7	$173.1

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

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As the pattern of increasing revenues from dormitory income sources demonstrates, the University has been able to sustain an acceptable rate of dormitory utilization during the past several years. Utilization statistics for the Fall 2011 semester show the University utilized 96.2% of available revenue producing beds. Several campuses had more students in residence than the design occupancy of the facilities, requiring conditions whereby more students are assigned to rooms than the original designs specified. The following table presents the Fall occupancy utilization rate for all University dormitories for the past six Fiscal Years.

State University of New York
Fall Occupancy Statistics

	Revenue Producing		
Fall Semester	Beds Available	Beds Utilization	Occupancy Rate Percentage
2007	73,923	71,605	96.9%
2008	75,202	72,741	96.7%
2009	74,216	71,758	96.7%
2010	74,936	72,752	97.1%
2011	76,099	73,183	96.2%

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PART 4 - DEBT SERVICE REQUIREMENTS FOR THE SERIES 2012A BONDS

The following table sets forth, for each Fiscal Year ending June 30, the amounts, rounded to the nearest dollar, required to be made available in such Fiscal Year for the payment of the principal, including Sinking Fund Installments, of and interest on the Series 2012A Bonds, debt service on other Outstanding Bonds and the total debt service for all such Bonds Outstanding under the Resolution. The principal of the Bonds matures on each July 1 one day following the close of the respective Fiscal Years listed.

Year	Series 2012A Principal Payments	Series 2012A Interest Payments	Total Debt Service on the Series 2012A Bonds	Other Outstanding Bonds Debt Service(1)	Total Debt Service(1)
2013	$ 8,580,000	$ 8,751,204	$ 17,331,204	$ 112,947,841	$ 130,279,045
2014	2,980,000	11,000,150	13,980,150	111,272,915	125,253,065
2015	4,840,000	10,910,750	15,750,750	109,522,187	125,272,937
2016	5,030,000	10,717,150	15,747,150	108,476,630	124,223,780
2017	5,210,000	10,515,950	15,725,950	106,600,472	122,326,422
2018	5,470,000	10,255,450	15,725,450	105,563,661	121,289,111
2019	5,760,000	9,981,950	15,741,950	103,112,140	118,854,090
2020	6,390,000	9,751,550	16,141,550	101,998,575	118,140,125
2021	6,705,000	9,432,050	16,137,050	99,781,554	115,918,604
2022	7,050,000	9,096,800	16,146,800	96,572,201	112,719,001
2023	6,850,000	8,744,300	15,594,300	92,837,390	108,431,690
2024	7,225,000	8,421,950	15,646,950	89,383,280	105,030,230
2025	7,595,000	8,061,900	15,656,900	86,216,220	101,873,120
2026	7,965,000	7,682,150	15,647,150	84,577,583	100,224,733
2027	8,370,000	7,283,900	15,653,900	78,671,565	94,325,465
2028	6,470,000	6,865,400	13,335,400	76,950,208	90,285,608
2029	6,790,000	6,541,900	13,331,900	74,003,284	87,335,184
2030	7,130,000	6,202,400	13,332,400	69,598,389	82,930,789
2031	7,485,000	5,845,900	13,330,900	67,155,556	80,486,456
2032	7,820,000	5,471,650	13,291,650	61,152,373	74,444,023
2033	8,185,000	5,150,250	13,335,250	52,191,150	65,526,400
2034	8,590,000	4,741,000	13,331,000	49,022,175	62,353,175
2035	9,035,000	4,311,500	13,346,500	45,671,400	59,017,900
2036	9,485,000	3,859,750	13,344,750	41,874,500	55,219,250
2037	9,950,000	3,385,500	13,335,500	38,741,750	52,077,250
2038	10,445,000	2,888,000	13,333,000	31,556,250	44,889,250
2039	10,985,000	2,365,750	13,350,750	25,257,500	38,608,250
2040	11,535,000	1,816,500	13,351,500	20,575,000	33,926,500
2041	12,095,000	1,239,750	13,334,750	13,235,250	26,570,000
2042	12,700,000	635,000	13,335,000	-	13,335,000
	$ 234,720,000	$ 201,927,454	$ 436,647,454	$ 2,154,518,998	$ 2,591,166,453

(1) Interest on the $258,945,000 outstanding Series 2003B Bonds after July 1, 2013 estimated at an assumed rate of 4.22% per annum.

PART 5 - ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds relating to the Series 2012A Bonds are as follows:

Sources of Funds	
Principal Amount of the Series 2012A Bonds	$ 234,720,000.00
Original Issue Premium	37,446,611.15
Other Available Amounts	1,097,792.78
Total Sources	$ 273,264,403.93
Uses of Funds	
Deposit to the Construction Fund	$ 247,500,000.00
Deposit to the Refunding Account	10,580,278.20
Capitalized Interest	11,717,713.32
Costs of Issuance	2,258,200.33
Underwriters' Discount	1,208,212.08
Total Uses	$ 273,264,403.93

PART 6 - THE PROJECT AND THE REFUNDING PLAN

The Project

The Project consists of various Facilities which have been financed or may be financed in the future by the Authority for the University with the proceeds of bonds or notes issued under the Resolution. The Facilities constituting the Project are numerous dormitory facilities for students at various campuses of the University, and related and attendant facilities. Bonds may be issued from time to time to construct additional buildings which would be added to the Project. Bonds may also be issued for purposes of extraordinary maintenance, repair and replacement of existing buildings currently a part of the Project. The proceeds of the Series 2012A Bonds may be expended on any Facility.

The Refunding Plan

A portion of the proceeds of the Series 2012A Bonds, together with other available money, will be used to refund the Authority's Lease Revenue Bonds (State University dormitory Facilities Issue) of the series, maturities and principal amounts shown below (the "Refunded Bonds"), all of which were previously issued by the Authority pursuant to the Resolution. Such proceeds will be deposited with the Trustee to be held in a special trust account (the "Refunding Account") for the redemption of the Refunded Bonds on their respective redemption dates and at their respective redemption prices shown below.

Simultaneously with deposit with the Trustee of the proceeds and other money in the Refunding Account, the Authority will give the Trustee irrevocable instruction to give notice of the refunding and redemption of the Refunded Bonds and to apply the amounts deposited in the Refunding Account to the payment of the redemption prices of and interest on the Refunded Bonds coming due on and prior to their redemption dates. The money in the Refunding Account will be invested in non-callable direct obligations of the United States of America (the "Investment Securities"), the maturing principal of and interest on which will provide sufficient money, together with any other money held in the Refunding Account, to pay the redemption prices of and interest to become due on and prior to their respective redemption dates on the Refunded Bonds.

TABLE OF REFUNDED BONDS

DORMITORY AUTHORITY
OF THE STATE OF NEW YORK

Lease Revenue Bonds
(State University Dormitory Facilities Issue)

Series	Maturing July 1,	Principal Amount Outstanding	Principal Amount to be Refunded	Redemption Date	Redemption Price
1995A, Lot 2	2013 though 2024	$ 1,710,000	$ 1,710,000	October 24, 2012	100%
1999A	2028	1,340,000	1,340,000	October 24, 2012	100%
2001	2013	3,045,000	3,045,000	October 24, 2012	100%
2002	2013	4,320,000	4,320,000	October 24, 2012	100%

PART 7 - THE STATE UNIVERSITY OF NEW YORK

General

The University was created in 1948, as a corporate entity in the Education Department of the State of New York under the Board of Regents. The legislation assigns to the University responsibility for the planning, supervision and administration of facilities and programs in accordance with a master plan to be proposed by the University and approved by the Board of Regents. The University is governed by a Board of Trustees comprised of 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 Trustee a two-year term. Trustees receive no compensation for their services other than reimbursement of expenses. The Board of Trustees appoints its own officers, the Chancellor, the senior System Administration staff and campus Presidents.

On April 1, 1949, the University assumed jurisdiction over the 29 existing State-supported institutions of higher education. These institutions were primarily professional and technical schools, placing emphasis on applied arts and sciences and the training of teachers. In the period between 1957 and 1962, the Trustees established three university centers: the State University of New York at Albany, the State University of New York at Binghamton, and the State University of New York at Stony Brook. In addition, the former private University of Buffalo, comprised of 14 divisions, was merged into the University system and became the State University of New York at Buffalo and the fourth university center. Two health science centers were added, one in Brooklyn serving the New York City metropolitan area and one in Syracuse serving upstate New York. In 1961, the University Trustees set into motion a plan under which the teachers colleges included in the system became multipurpose institutions offering baccalaureate preparation in liberal arts, business and technologies, as well as education courses. In 1964, the six two-year Agricultural and Technical Institutes became Agricultural and Technical Colleges and in 1987 were redesignated either Colleges of Technology or Colleges of Agriculture and Technology. Two additional colleges of arts and science were opened in 1968, the State University College at Old Westbury and the State University College at Purchase.

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

Each University Center and College of the University is administered locally although subject to overall review and supervision by the University’s Board of Trustees. Graduate study at the doctoral level is offered by the University at 15 of its institutions, and graduate work at the master’s level at 29 campuses. The University is continuing to broaden and expand overall opportunities for advanced degree study. Graduate study areas embrace a wide spectrum including agriculture, business administration, criminal justice, dentistry, education, engineering, forestry, law, library science, medicine, nursing, optometry, pharmacy, social work, and veterinary medicine as well as the liberal arts and sciences. Four-year programs strongly emphasize the liberal arts and sciences and also include specialization in teacher education, business, forestry, maritime service, ceramics, and the fine and performing arts. Two-year programs include nursing and liberal arts transfer programs and a wide variety of technical curriculums such as agriculture, business, and the industrial and medical technologies. The University Educational Opportunity Centers located throughout the State provide training for skilled and semiskilled occupations and college foundation courses. In addition to courses such as high school equivalency, college preparation, typing, bookkeeping, and vending and business machine repair, these centers provide a broad range of services, including personal counseling, diagnostic testing, placement and referral services.

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

The University has actively assisted in the development of 30 locally-sponsored two-year community colleges. These colleges are designed to provide postsecondary education for students whose needs would not ordinarily be met by a traditional four-year college curriculum and to provide general courses for students who wish to transfer after completing the community college program to institutions providing a traditional four-year college program. The community colleges are established by cities or counties acting with the approval of the local legislative body and the University Board of Trustees. The exceptions are Corning Community College and Jamestown Community College, which are administered by regional boards of trustees and the University's Board of Trustees. The community colleges are subject to the general supervision of the University in matters relating to curriculum and are eligible to receive State financial assistance in an amount not to exceed one-half of the costs of capital construction and two-fifths of the annual operating costs if the college is implementing a program of full opportunity approved by the University's Board of Trustees and meets other criteria. As of the Fall of 2011, approximately 142,633 students were enrolled on a full-time basis in community colleges and another 105,032 students were enrolled on a part-time basis. As of the Fall of 2012, approximately 143,051 students are expected to be enrolled on a full-time basis in community colleges and another 105,163 students are expected to be enrolled on a part-time basis.

Operating Units

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

UNIVERSITY CENTERS

State University of New York at Albany*	State University of New York at Buffalo*
State University of New York at Binghamton*	State University of New York at Stony Brook*

HEALTH SCIENCES CENTERS

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

UNIVERSITY COLLEGES

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

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	2012*
Full-Time						
Undergraduate	149,700	153,441	157,739	158,439	158,080	158,223
Graduate	22,857	22,830	23,120	23,737	23,190	23,631
Part-Time	40,712	42,257	41,344	39,610	39,069	37,123
Total Enrollment	213,269	218,528	222,203	221,786	220,339	218,977

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* Projected enrollment; subject to change.

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

Selected Average Annual Enrollment Statistics
(Fiscal Years Ended June 30)

	2008	2009	2010	2011*	2012**
Full-Time					
Undergraduate	144,347	147,612	150,038	152,314	152,713
Graduate	22,820	22,716	23,056	23,478	23,111
Part-Time	18,580	19,310	19,188	19,560	18,509
Total FTE Enrollment	185,747	189,637	192,281	195,352	194,333

* Not finalized.
** Preliminary; subject to change.

Fiscal Structure

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

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

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

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

Comparative Financial Information

Attached as "Appendix C - Information on the State University of New York" are the Schedules of Revenues, Expenses and Changes in Net Assets for each of the Fiscal Years ended June 30, 2007 through June 30, 2011. The financial information contained in the financial schedules was derived from the audited financial statements of the University for the respective Fiscal Years ended June 30. The audited financial statements can be obtained by contacting the Office of the University Controller at (518) 320-1459 or on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) system at www.emma.msrb.org.

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

Appropriations of State Funds to the University

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

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

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

State-Funded University Appropriations

Fiscal Year Ended March 31,	Appropriated from State Purposes Account
2008	$ 1,340,363,000
2009	1,255,125,000 *
2010	1,223,540,000 **
2011	1,086,314,000 ***
2012	969,050,300

* 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 to $1,063,063,900 due to mid-year reductions in the State budget.

In prior years, the University experienced operating cash flow deficits precipitated by cash flow difficulties at its hospitals. In connection with these cash-flow deficits, as authorized by the State Finance Law, the University borrowed funds with interest from the short-term investment pool ("STIP") of the State. An agreement was reached between the University and the State to jointly repay the total shortfall over a period of seven to nine years. The repayment is not expected to adversely affect ongoing operations of the University. As of June 30, 2012, the amount outstanding under this borrowing was $52.5 million. During the 2011-12 Fiscal Year, the amount paid on the borrowing was $8.3 million.

In July 2012, the University borrowed $32.5 million in additional funds from the State in connection with the payment of a judgment, repayable over a period of ten years.

Tuition and Other Unrestricted Revenue

For the 2012 Fall semester, the tuition schedule for State residents is $5,570 per year for all undergraduates; $9,370 for graduate students; $21,530 for students of pharmacy; $20,730 for students of law; $29,530 for students of medicine; $25,450 for students of dentistry; $19,900 for students of optometry; $17,940 for students in the professional programs of physical therapy and nursing; $9,940 for students in the physicians' assistant graduate program; $10,400 for students in programs leading to a Masters in Architecture degree; $10,000 for students in the programs leading to a Masters in Social Work degree; and $11,130 for students in the MBA program. For University students who do not reside in New York State, such schedule is $14,820 for undergraduates (except that undergraduates at the University Centers at Buffalo and Stony Brook will be charged $16,190, undergraduates at the University Centers at Albany and Binghamton will be charged $`14,720 and non-resident associate degree students at the Colleges of Technology will be charged $9,740 per year); $16,680 for graduate students; $41,750 for students of pharmacy; $35,220 for students of law; $54,650 for students of medicine; $57,230 for students of dentistry; $38,210 for students of optometry; $32,220 for students in the professional programs of physical therapy and nursing; $18,190 for students in the physicians' assistant graduate program; $16,680 for students in the programs leading to a Masters in Architecture degree; $16,680 for students in the programs leading to a Masters in Social Work degree; and $18,320 for students in the MBA program. There are various tuition charges for students taking classes at off-campus locations during the summer or winter recesses. Tuition charges are fixed by the Trustees of the University and remain in effect until changed by the Trustees. In addition, there are other miscellaneous charges. *The receipts from such tuition charges and other miscellaneous charges are not pledged to the payment of the Rentals payable to the Authority under the Agreement.*

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

Tuition and Other Unrestricted Revenue
(in thousands)

	2007	2008	2009	2010	2011
Tuition and fees*	$ 1,244,601	$ 1,284,276	$ 1,407,900	$ 1,563,051	$ 1,622,706
State appropriations for operations**	2,109,515	2,364,114	2,342,523	2,148,424	2,204,587
University Hospital and clinics	1,621,458	1,595,895	1,723,164	1,876,918	2,011,711
Food service*	211,386	227,753	243,307	255,663	267,848
Other auxiliary*	210,960	227,145	235,542	248,142	262,850
Interest and other unres. revenue	191,480	196,892	113,129	77,742	137,401
Total	$ 5,589,400	$ 5,896,075	$ 6,065,565	$ 6,169,940	$ 6,507,103

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

Outstanding Debt

The table below presents the debt activity of the University for the five Fiscal Years indicated.

University Debt Activity
(in thousands)

	2007	2008	2009	2010	2011
Dormitory Authority-Residence Facilities Long-term (Bonds)					
Outstanding Beginning of Period	$ 687,660	$ 752,200	$ 873,355	$ 974,760	$1,043,710
Issued During Period	87,430	145,405	129,375	100,120	128,340
Retired During Period	(22,890)	(24,250)	(27,390)	(31,170)	(32,130)
Refunding	-	-	-	-	-
Outstanding End of Period	$ 752,200	$ 873,355	$ 974,760	$1,043,710	$1,139,920
Dormitory Authority-Educational Facilities Long-term (Bonds)					
Outstanding Beginning of Period	$4,465,883	$4,549,253	$4,782,950	$5,096,730	$5,456,489
Issued During Period	472,577	418,105	508,412	585,521	1,035,771
Retired During Period	(163,002)	(184,408)	(229,032)	(593,907)	(324,305)
Refunding	-	-	34,400	368,145	93,205
Special Defeasance	(226,205)	-	-	-	-
Outstanding End of Period	$4,549,253	$4,782,950	$5,096,730	$5,456,489	$6,261,160

Construction at the University

The University construction program expended $1.02 billion in 2010-11 for both educational and residential facility construction. Of this amount, approximately $989 million was financed from State appropriated funds and approximately $29 million from campus funds. Of the $213.8 million expended in 2010-11 for the residence hall program, approximately $192.7 million was financed by Outstanding Bonds.

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

The following table presents construction receipts and disbursements in connection with the University construction program for the State's five fiscal years ended March 31 of the years indicated.

University Construction Receipts and Disbursements
(in thousands)

	State Fiscal Year Ended March 31,				
	2007	2008	2009	2010	2011
RECEIPTS:					
New York State	$ 512,502	$ 589,688	$ 623,176	$ 908,705	$ 989,156
Campus Fund	21,182	12,418	22,292	30,390	28,516
Total	$ 533,684	$ 602,106	$ 645,468	$ 939,095	$1,017,669
DISBURSEMENTS:*					
Academic Program	$ 443,864	$ 501,799	$ 537,931	$ 760,639	$ 803,903
Residential Program	89,820	100,307	107,537	178,456	213,766
Total	$ 533,684	$ 602,106	$ 645,468	$ 939,095	$1,017,669

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

Litigation

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

PART 8 - THE AUTHORITY

Background, Purposes and Powers

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

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

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

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

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

At June 30, 2012, the Authority had approximately $46 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority's bonds and notes is paid from moneys received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

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

The total amounts of the Authority bonds and notes (excluding debt of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act) outstanding at June 30, 2012 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	16,277,917,999	6,698,289,207	0	6,698,289,207
Upstate Community Colleges of the State University of New York	1,644,630,000	664,175,000	0	664,175,000
Senior Colleges of the City University of New York	11,174,381,762	3,690,708,213	0	3,690,708,213
Community Colleges of the City University of New York	2,595,168,350	547,281,787	0	547,281,787
BOCES and School Districts	3,504,056,208	2,641,935,000	0	2,641,935,000
Judicial Facilities	2,161,277,717	646,412,717	0	646,412,717
New York State Departments of Health and Education and Other	9,070,560,000	6,440,090,000	0	6,440,090,000
Mental Health Services Facilities	8,662,585,000	4,070,030,000	0	4,070,030,000
New York State Taxable Pension Bonds	773,475,000	0	0	0
Municipal Health Facilities Improvement Program	1,146,845,000	717,200,000	0	717,200,000
Totals Public Programs	$ 59,749,553,036	$ 27,480,371,924	$ 0	$ 27,480,371,924

Non-Public Programs	**Bonds Issued**	**Bonds Outstanding**	**Notes Outstanding**	**Bonds and Notes Outstanding**
Independent Colleges, Universities and Other Institutions	$ 21,217,289,952	$ 10,920,998,311	$ 70,895,000	$ 10,991,893,311
Voluntary Non-Profit Hospitals	15,470,189,309	6,987,840,000	0	6,987,840,000
Facilities for the Aged	2,030,560,000	547,405,000	0	547,405,000
Supplemental Higher Education Loan Financing Program	95,000,000	0	0	0
Totals Non-Public Programs	$ 38,813,039,261	$ 18,456,243,311	$ 70,895,000	$ 18,527,138,311
Grand Totals Bonds and Notes	$ 98,562,592,297	$ 45,936,615,235	$ 70,895,000	$ 46,007,510,235

Outstanding Indebtedness of the Agency Assumed by the Authority

At June 30, 2012, the Agency had approximately $183 million aggregate principal amount of bonds outstanding, the obligations as to all of which have been assumed by the Authority. The debt service on each such issue of bonds is paid from moneys received by the Authority (as successor to the Agency) or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue.

The total amounts of the Agency's bonds (which indebtedness was assumed by the Authority on September 1, 1995) outstanding at June 30, 2012 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	178,175,000
Revenue Bonds, Secured Loan and Other Programs	2,414,240,000	2,790,000
Total Non-Public Programs	$ 9,265,549,927	$ 183,000,000
Total MCFFA Outstanding Debt	$ 13,082,780,652	$ 183,000,000

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. Healso 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. Jihaserved 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.

TIM C. LOFTIS, Esq., Buffalo.

Tim Loftis was appointed as a Member of the Authority by the Governor on June 20, 2012. Mr. Loftis is a partner in the Business and Corporate practice group of the law firm Jaeckle Fleischmann & Mugel, LLP. He has experience in business and corporate matters with an emphasis on transactional matters, including domestic and international mergers and acquisitions as well as complex commercial financing transactions. Mr. Loftis is Chair of the Board of Directors of the Buffalo Niagara Partnership. He is admitted to practice law in the State of New York and the U.S. District Court for the Western District of New York. Mr. Loftis holds a Bachelors of Arts degree from the State University of New York at Buffalo and a Juris Doctor degree from Georgetown University Law Center. His term expires on March 31, 2015.

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

Ms. Snyder was appointed as a member of the Authority by the Governor on June15, 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 twenty 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. Ms. Wallace is responsible for strategic efforts in program development, including maximizing the utilization of Minority and Women Owned Businesses, sustainability, training and marketing, as well as communicating with DASNY's clients, vendors, the public and governmental officials. She has more than 20 years of senior leadership experience in diverse private sector telecommunications businesses and civic organizations. Ms. Wallace holds a Bachelor's Degree from Pepperdine University and a Master's Degree in Public Administration from Columbia University.

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

PART 9 - 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 10 - NEGOTIABLE INSTRUMENTS

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

PART 11 - 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 the Tax Certificate, the Authority and the University have 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 and the State University have made certain representations and certifications in the Resolution and the Tax Certificate. Neither Nixon Peabody LLP nor Drohan Lee LLP, Co-Bond Counsel, have independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Co-Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the Authority and the University described above, interest on the Series 2012A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Nixon Peabody LLP 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

Nixon Peabody LLP is also of the opinion that interest on the Series 2012A Bonds is, by virtue of the Act, exempt from personal income taxes imposed by the State of New York or any political subdivision of the State of New York. Neither Nixon Peabody LLP nor Drohan Lee LLP, Co-Bond Counsel, expresses any 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 New York.

Original Issue Premium

The Series 2012A Bonds other than the Series 2012A Bonds maturing on July 1, 2032 and bearing interest at 3.00% are being offered at prices in excess of their principal amounts (the "Premium Bonds"). 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 Premium 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.

Neither Co-Bond Counsel is rendering any opinion as to any federal tax matters other than those described in the opinion 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 advisors regarding the impact of any change in law on the Series 2012A Bonds.

Neither Co-Bond Counsel has 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. Neither Co-Bond Counsel expresses any 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 any counsel other than Nixon Peabody LLP.

PART 12 - STATE NOT LIABLE ON THE SERIES 2012A BONDS

The Act provides that notes and bonds of the Authority are not be a debt of the State, that the State will not be liable on them, and that such notes or bonds will not be payable out of any funds other than those of the Authority. The Resolution specifically provides that the Series 2012A Bonds are not be a debt of the State and that the State is not liable on them.

PART 13 - COVENANT BY THE STATE

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

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

PART 14 - UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Series 2012A Bonds from the Authority at an aggregate purchase price of $270,958,399.07 (consisting of the principal amount of the Series 2012A Bonds plus original issue premium of $37,446,611.15 less underwriters' discount of $1,208,212.08) and to make a public offering of the Series 2012A Bonds at prices that are not in excess of the public offering prices stated on the inside cover page of this Official Statement. The Underwriters will be obligated to purchase all such Series 2012A Bonds if any are purchased. The Series 2012A Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices or yields higher than such public offering yields, and such public offering prices or yields may be changed from time to time by the Underwriters.

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

PART 15 - 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, and Drohan Lee LLP, New York, New York, Co-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, Bryan Cave LLP.

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.

PART 16 - RATINGS

The Series 2012A Bonds are rated Aa2 by Moody's Investors Service, Inc. and AA- by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies. An explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. There is no assurance that such ratings will prevail for any given period of time or that they will not be changed or withdrawn by the respective rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2012A Bonds.

PART 17 – FINANCIAL ADVISOR

A.C. Advisory, Inc., Chicago, Illinois, is serving as Financial Advisor to the Authority in connection with the issuance of the Series 2012A Bonds.

PART 18 - CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), the Authority, the State and the Trustee will enter into a written agreement (the "Continuing Disclosure Agreement") for the benefit of the Holders of the Series 2012A Bonds to provide continuing disclosure. The State will undertake for the benefit of the Holders of the Series 2012A Bonds to provide the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access System ("EMMA System"), on an annual basis on or before 120 days after the end of each fiscal year of the State, commencing with the fiscal year ending March 31, 2013, financial information and operating data relating to the State of the type included in the Annual Information Statement of the State set forth in Appendix B to this Official Statement and as described below. The State also will undertake for the benefit of the Holders of the Series 2012A Bonds to provide to the MSRB through its EMMA System, on an annual basis on or before 120 days after the end of each fiscal year of the University, commencing with the fiscal year ending June 30, 2012, financial information and operating data relating to the University of the type included in Appendix C to this Official Statement and as described below. The financial information and operating data relating to the State and the University is referred to herein as the "Annual Information" and is described in more detail below. The State Comptroller is required by existing law to issue audited annual financial statements of the State prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") 120 days after the close of the State fiscal year, and the State will undertake to provide the State's annual financial statements prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States to the MSRB through its EMMA System, if and when such statements are available commencing with the fiscal year ending March 31, 2013. The State also will undertake to provide the University's audited financial statements to the MSRB through its EMMA System, on an annual basis on or before 120 days after the end of each fiscal year of the University, commencing with the fiscal year ending June 30, 2012. In addition, the Authority will undertake, for the benefit of the Holders of the Series 2012A Bonds, to provide to the MSRB through its EMMA System, in a timely manner, the notices described below (the "Notices").

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

The Annual Information shall consist of (a) financial information and operating data of the type included in this Official Statement in "PART 3 - SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" under the heading "Dormitory Income Account;" in "PART 7 - THE STATE UNIVERSITY OF NEW YORK" under the headings "Enrollment," "Appropriations of State Funds to the University," "Tuition and Other Unrestricted Revenue," "Outstanding Debt," and "Construction at the University," and in the Annual Information Statement of the State, under the headings or subheadings "Prior Fiscal Years," "Debt and Other Financing Activities," "State Government Employment," "State Retirement Systems," and "Authorities and Localities," including, more specifically, information consisting of (1) for prior fiscal years, an analysis of cash-basis results for the State's three most recent fiscal years, and a presentation of the State's results in accordance with GAAP for at least the two most recent fiscal years for which that information is then-currently available; (2) for debt and other financing activities, a description of the types of financings the State is authorized to undertake, a presentation of the outstanding debt issued by the State and certain public authorities, as well as information concerning debt service requirements on that debt; (3) for authorities and localities, information on certain public authorities and local entities whose financial status may have a material impact on the financial status of the State; and (4) material information regarding State government employment and retirement systems; together with (b) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data concerning, and in judging the financial condition of, the State and the University.

The Notices include notices of any of the following events with respect to the Series 2012A Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancement reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) 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; (7) modification to rights of the security holders, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the securities, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the obligated person; (13) 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 (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the Authority will undertake, for the benefit of the Holders of the Series 2012A Bonds, to provide to the MSRB through its EMMA System, in a timely manner, notice of any failure by the State to provide the Annual Information and annual financial statements by the date required in the State's undertaking described above.

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

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may be amended or modified without Bondholders' consent under certain circumstances set forth therein. Copies of the Continuing Disclosure Agreement when executed by the parties thereto upon the delivery of the Series 2012A Bonds will be on file at the principal office of the Authority.

PART 19 - SOURCES OF INFORMATION AND CERTIFICATIONS

Certain information concerning the University and the State included in this Official Statement has been furnished or reviewed and authorized for use by the Authority by such sources as described below. While the Authority believes that these sources are reliable, the Authority has not independently verified this information and does not guarantee the accuracy or completeness of the information furnished by the respective sources. The Authority is relying on certificates from each source, to be delivered at or prior to the time of delivery of the Series 2012A Bonds, as to the accuracy of such information provided or authorized by it.

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

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

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

The Director of the Budget of the State of New York will certify to the Authority that the information contained in the Annual Information Statement of the State of New York, including any updates or supplements, is true, correct and complete in all material respects, and no facts have come to his attention that would lead him to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; provided, however, that while the statements and information contained in the Annual Information Statement, including any updates or supplements, which were obtained from sources other than the State are not certified as to truth, correctness or completeness, such statements and information have been obtained from sources that he believes to be reliable and he has no reason to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; provided further, however, that with regard to the statements and information in such section under the caption "Litigation" such statements and information as to legal matters are given to the best of his information and belief, having made such inquiries as he deemed appropriate at the office of the Department of Law of the State, without any further independent investigation. This certification applies both as of the date of the Official Statement and as of the date of the delivery of the Series 2012A Bonds.

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

This Official Statement includes by cross-reference certain information. The General Purpose Financial Statements of the State of New York for the State fiscal year ended March 31, 2012 have been provided to the MSRB through its EMMA system. For information on the financial condition of the State, including the 2012-13 State Financial Plan, see "Appendix B – Information Concerning the State of New York." The portions of the State's Annual Information Statement not included in Appendix B are on file with the MSRB through its EMMA system.

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

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

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

The Authority will certify that, both as of the date of this Official Statement and on the date of delivery of the Series 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 therein, in the light of the circumstances under which they were made, not misleading (it being understood that the Authority has relied upon and has not undertaken independently to verify the information contained in this Official Statement relating to the University or the State, but which information the Authority has no reason to believe is untrue or incomplete in any material respect).

The references herein to the Act, other laws of the State, the Resolutions and the Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete, and reference should be made to each for a full and complete statement of its provisions. The agreements of the Authority with the registered owners of the Series 2012A Bonds are fully set forth in the Resolutions (including any Supplemental Resolutions 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

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Appendices

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Appendix A

CERTAIN DEFINITIONS

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

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

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

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

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

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

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

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

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

Officer, a Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Defeasance Security means any of the following:

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

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

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

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

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

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

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

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

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

Exempt Obligation means any of the following:

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

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

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

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

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

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

Federal Agency Obligation means any of the following:

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

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

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

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

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

Government Obligation means any of the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Permitted Collateral means any of the following:

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

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

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

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

Permitted Encumbrances means and includes:

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

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

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

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

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

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

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

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

(ix) the Agreement and the Resolution; and

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

Permitted Investments means any of the following:

(i) Government Obligations;

(ii) Federal Agency Obligations;

(iii) Exempt Obligations;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Rentals means the rent payable under the Agreement.

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

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

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

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

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

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

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

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

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

State means the State of New York.

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

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

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

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

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

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

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

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

Appendix B

INFORMATION CONCERNING THE STATE OF NEW YORK

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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 11, 2012. It was updated on August 10, 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, 2012 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 27, 2012 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

August 10, 2012

This is the first quarterly update (the "AIS Update") to the Annual Information Statement of the State of New York (the "AIS"), dated May 11, 2012. The AIS Update contains information only through August 10, 2012 and should be read in its entirety, together with the AIS. The State expects to issue the next AIS Update in November 2012.

In this AIS Update, readers will find:

1. Extracts from the First Quarterly Update to the Financial Plan for fiscal year 2013 (the "Updated Financial Plan"), which the Division of the Budget ("DOB") issued on July 30, 2012. The Updated Financial Plan (which is available on the DOB website, www.budget.ny.gov) updates the State's official Financial Plan projections for FY 2013 through FY 2016[1].

2. A summary of first quarter operating results for fiscal year 2013.

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 three fiscal years.

5. Updated information regarding the State Retirement Systems.

6. Updated information on certain public authorities and localities of the State.

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

8. Financial plan tables that summarize actual receipts and disbursements for fiscal year 2012 and projected receipts and disbursements for fiscal years 2013 through 2016 on a General Fund, State Operating Funds and All Governmental Funds basis.

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.

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

[1] The fiscal year is identified by the calendar year in which it ends. For example, fiscal year 2013 ("FY 2013") is the fiscal year that began on April 1, 2012 and will end on March 31, 2013.

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 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 Updated 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 Updated 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 this AIS Update. 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, national and international events, 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 Update.

In addition to regularly scheduled quarterly updates to the AIS, the State may issue AIS supplements or other disclosure notices to the 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 Update in Official Statements or related disclosure documents for State or State-supported debt issuance. The State has filed this AIS Update with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. An electronic copy of this AIS Update can be accessed through the EMMA at www.emma.msrb.org. An official copy of this AIS Update may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-2302.

In July 2012, OSC issued the Basic Financial Statements for FY 2012 (ended March 31, 2012). 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 for FY 2012 can also be accessed through EMMA at www.emma.msrb.org.

USAGE NOTICE

This AIS Update 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 payment of their respective bonds, notes or other obligations.

This AIS Update is available in electronic form on the DOB website (www.budget.ny.gov) 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 Update 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 Update nor any portion thereof may be (i) included in a Preliminary Official Statement, Official Statement, or other offering document, or incorporated by reference therein, unless DOB has expressly consented thereto following a written request to the State of New York, Division of the Budget, State Capitol, Albany, NY 12224, or (ii) considered to be continuing disclosure in connection with any offering unless a CDA relating to the series of bonds or notes has been executed by DOB. Any such use, or incorporation by reference, of this AIS Update, or any portion thereof, in a Preliminary Official Statement, Official Statement, or other offering document or continuing disclosure filing without such consent and agreement by DOB, is unauthorized and the State expressly disclaims any responsibility with respect to the inclusion, intended use, and updating of this AIS Update if so misused.

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OVERVIEW OF THE UPDATED 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 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 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 all 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; 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.

State Finance Law also requires DOB to prepare a pro forma financial plan using generally accepted accounting principles (GAAP), for informational purposes only. 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.

SUMMARY

In the Updated Financial Plan, DOB estimates that the General Fund will remain in balance in FY 2013, consistent with the Enacted Budget Financial Plan reflected in the AIS.

General Fund receipts, including transfers from other funds, are still expected to total \$58.9 billion in FY 2013. General Fund disbursements, including transfers to other funds, are expected to total \$59.2 billion, an increase of \$340 million. The increase in estimated disbursements is due almost exclusively to retroactive payments pursuant to labor settlements reached with two public employee unions (NYSCOPBA and Council 82) since the enactment of the FY 2013 budget. The payments, which are expected to be made in the second and third quarters of the current fiscal year, are expected to total \$345 million and will be financed from General Fund balances designated for this purpose. DOB now estimates that the State will end FY 2013 with a General Fund balance of \$1.5 billion, a decrease of \$345 million from the estimate included in the Enacted Budget Financial Plan reflected in the AIS.

General Fund disbursements, including transfers to other funds, totaled \$14.3 billion through June 2012, or approximately \$700 million below the Enacted Budget Financial Plan forecast for that period. The lower spending compared to the forecast was due mainly to the timing of several large payments originally anticipated to be made in June 2012 but now expected to occur by the end of the second quarter of FY 2013. After adjusting for these timing-related variances, disbursements appear to be generally consistent with the Enacted Budget forecast through the first quarter, except for the specific revisions described in the following section titled "Multi-Year Financial Plan Revisions".

Operating results through the first quarter of FY 2013 were positive in comparison to the estimate in the Enacted Budget Financial Plan. (See "First Quarter Operating Results" herein.) General Fund receipts, including transfers from other funds, totaled \$15.4 billion through June 2012, \$115 million above the Enacted Budget Financial Plan forecast. The positive receipts results observed in April 2012 were offset in part by weaker June 2012 results. The downside risks to the national economy from slowing global growth emphasized in the Enacted Budget Financial Plan appear to have intensified, and DOB will continue to monitor the uncertainties and risks regarding the economic and receipts forecast. (See "Financial Plan Projections Fiscal Years 2013 through 2016 – Economic Backdrop" herein.)

The Updated Financial Plan is subject to a number of risks, including the strength and duration of the economic recovery and the execution of specific transactions.

MULTI-YEAR FINANCIAL PLAN REVISIONS

The following table summarizes the revisions to the Enacted Budget Financial Plan that affect General Fund operating projections. Descriptions of the changes follow the table.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS SUMMARY OF MAJOR CHANGES FROM ENACTED BUDGET (millions of dollars)	FY 2013	FY 2014	FY 2015	FY 2016
ENACTED BUDGET SURPLUS/(GAP) FORECAST	**0**	**(950)**	**(3,415)**	**(4,130)**
Collective Bargaining (Net Impact)	0	0	(59)	(95)
Litigation: Gyrodyne Judgment	(16)	4	4	4
Receipts Forecast	49	2	(75)	(102)
Disbursements Forecast	(33)	(38)	(45)	(47)
UPDATED BUDGET SURPLUS/(GAP) FORECAST	**0**	**(982)**	**(3,590)**	**(4,370)**

Collective Bargaining: Since enactment of the FY 2013 Budget, the State has reached labor settlements with the members of NYSCOPBA (representing correction officers and facility security employees) and Council 82 (representing lieutenants and facility security supervisors). Similar to the settlements agreed to between the State and its other public employee unions, the new settlements provide for no general salary increases for three years (FY 2012 through FY 2014), followed by a 2 percent increase in each of FY 2015 and FY 2016, and a $1,000 lump sum payment ($775 paid in FY 2014 and $225 paid in FY 2015). In addition, NYSCOPBA and Council 82 employees will receive retroactive wage increases, to be paid in FY 2013, of 3 percent and 4 percent for FY 2010 and FY 2011, respectively, consistent with the terms agreed to by the State's largest unions for that period. Employee compensation will be reduced temporarily in conjunction with a deficit reduction program that is similar to those in effect for other employee unions. A portion of these reductions will be repaid in installments beginning in FY 2016.

The General Fund costs of these labor settlements, which includes the retroactive wage increases, are estimated at $345 million in FY 2013; $144 million in FY 2014; $167 million in FY 2015; and $199 million in FY 2016. The personal service estimates for agencies affected by the new settlements have been increased by these amounts, and the General Fund balances designated to finance the retroactive portion of the settlements have been decreased. The reserves, which were previously set aside for this purpose in each year of the Financial Plan (i.e., already counted in the projected General Fund budget gaps) are expected to be sufficient to cover these labor settlement costs in FY 2013 and FY 2014, consistent with other settlements. Starting in FY 2015, the new settlements and the maintenance of a reserve for certain unsettled (prior to FY 2012) unions will require modest additional General Fund resources.

Litigation: The Court of Appeals upheld a decision by the Court of Claims ordering the State to compensate the Gyrodyne Company of America, Inc. in connection with a taking of certain real property by the State University of New York at Stony Brook in 2005. In accordance with the Court of Appeals' decision, a final payment of approximately $167 million was disbursed on July 5, 2012, as compensation for (i) damages of $125 million, plus statutory interest at an annual rate of 9 percent from November 2005 on the unpaid balance of $98.7 million, and (ii) associated costs, disbursements and expenses of $1.5

million plus interest thereon. The State funded the capital portion (and eligible expenses) of the judgment through the issuance of bonds ($135 million) and the remaining costs through the State's General State Charges appropriation for Court of Claims settlements ($32 million). The capital costs related to the judgment will be accommodated within SUNY's existing capital appropriations and the State's planned debt issuances for FY 2013, and no increase in SUNY's capital program was authorized. SUNY is expected to reimburse the State for the remaining costs over a multi-year period through transfers of money from SUNY special revenue funds to the General Fund. The FY 2013 transfer from SUNY to reimburse the General Fund is expected to total $16 million, which after the $32 million Court of Claims settlement payment, is expected to result in a $16 million net cost to the General Fund in the current year.

Receipts Forecast: Estimated tax collections have been reduced over the multi-year Financial Plan, mainly reflecting lower sales tax collections based on a decline in the sales tax base and experience to date. The receipts forecast has been revised upward to reflect the receipt of an additional $75 million from civil recoveries by district attorneys in FY 2013 and additional miscellaneous reimbursements ($50 million in each of FY 2013 and FY 2014).

Disbursements Forecast: DOB has revised its disbursements projections upward to account for recent trends and experience, as well as other known factors. The significant changes include an upward revision to estimated General State Charges reflecting increases in workers' compensation expenses; increased funding for reimbursements made in June 2012 to school districts for higher than planned MTA payroll tax costs and revised assumptions for spending from education grants. These increases are partly offset by an increase to estimated lottery receipts in the current year based on actual results to date, which lowers the transfer from the General Fund to the Lottery Fund.

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FIRST QUARTER OPERATING RESULTS (APRIL-JUNE 2012)

GENERAL FUND RESULTS VERSUS ENACTED BUDGET

This section provides a summary of operating results for April through June 2012 compared to the (1) initial projections set forth in the FY 2013 Enacted Budget Financial Plan as reflected in the AIS; and (2) results through June for the prior year (FY 2012).

The State ended the month of June 2012 with a closing balance of $2.9 billion in the General Fund. The balance was $814 million higher than projected in the Enacted Budget Financial Plan. The higher balance is due to lower than anticipated spending ($699 million) and higher than anticipated receipts ($115 million).

In April 2012, the State converted to an enterprise-wide accounting and financial management system, the Statewide Financial System (SFS). As agencies, employees, and external parties doing business with the State adjust to the new system, delays in processing transactions in the new system have occurred. The lower than expected spending through June, particularly in the areas of local assistance (e.g., OCFS) and non-personal service, appear to be due largely to the effects of learning the new system. Accordingly, DOB anticipates that any delays in processing will correct themselves in subsequent months and not affect annual disbursement estimates in the Updated Financial Plan.

GENERAL FUND OPERATING RESULTS THROUGH JUNE 2012
(millions of dollars)

	Enacted Plan	Actual Results	Above/(Below) Variance
Opening Balance	**1,787**	**1,787**	**0**
Receipts	**15,289**	**15,404**	**115**
Personal Income Tax[1]	9,967	10,089	122
User Taxes and Fees[1]	3,014	2,907	(107)
Business Taxes	1,213	1,292	79
Other Taxes[1]	429	410	(19)
Non-Tax Receipts	666	706	40
Disbursements	**14,955**	**14,256**	**(699)**
Education	4,943	4,964	21
Health Care	2,814	2,714	(100)
Social Services	923	679	(244)
All Other Local	1,556	1,312	(244)
Personal Service	1,794	1,776	(18)
Non-Personal Service	481	340	(141)
General State Charges	865	945	80
Transfers to Other Funds	1,579	1,526	(53)
Change in Operations	**334**	**1,148**	**814**
Closing Balance	**2,121**	**2,935**	**814**

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

Total taxes, including transfers from other funds after debt service, were $75 million above the Enacted Budget Financial Plan projections, reflecting higher than expected collections from personal income tax receipts ($122 million) and business taxes ($79 million), partly offset by lower than expected collections from user taxes and fees ($107 million) and other taxes ($19 million). Non-tax receipts, which includes miscellaneous receipts and transfers from other funds, was $40 million above Enacted Budget Financial Plan projections, primarily reflecting greater than anticipated civil recoveries remitted to the State by district attorneys.

General Fund disbursements, including transfers to other funds, were $699 million below projections due to timing of spending for social services programs ($244 million); TAP payments to institutions of higher education ($184 million); public health programs ($111 million); and non-personal services mainly in the following agencies: DOCCS, OTDA, Judiciary, SUNY, OGS, and DOH. Higher spending for General State Charges is attributable to lower than projected reimbursements payments from non-General Fund Mental Hygiene accounts, which imposed additional costs upon the General Fund. This variance is believed to be timing-related. In addition, GSCs spending was higher than anticipated for Workers' Compensation payments, a result of statutory increases in the maximum benefit provided to injured employees, which has been reflected in the Updated Financial Plan.

GENERAL FUND YEAR-OVER-YEAR RESULTS

GENERAL FUND OPERATING RESULTS YEAR-OVER-YEAR THROUGH JUNE (millions of dollars)

	FY 2012 Results	FY 2013 Results	Increase/(Decrease) $	%
Opening Balance	**1,376**	**1,787**	**411**	
Receipts	**15,705**	**15,404**	**(301)**	**-1.9%**
Personal Income Tax[1]	10,432	10,089	(343)	-3.3%
User Taxes and Fees[1]	2,925	2,907	(18)	-0.6%
Business Taxes	1,363	1,292	(71)	-5.2%
Other Taxes[1]	370	410	40	10.8%
Non-Tax Revenue	615	706	91	14.8%
Disbursements	**14,589**	**14,256**	**(333)**	**-2.3%**
Education	4,973	4,964	(9)	-0.2%
Health Care	2,923	2,714	(209)	-7.2%
Social Services	806	679	(127)	-15.8%
All Other Local	1,491	1,312	(179)	-12.0%
Personal Service	1,725	1,776	51	3.0%
Non-Personal Service	414	340	(74)	-17.9%
General State Charges	845	945	100	11.8%
Transfers To Other Funds	1,412	1,526	114	8.1%
Change in Operations	**1,116**	**1,148**	**32**	
Closing Balance	**2,492**	**2,935**	**443**	

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

Total receipts through June 2012 were $301 million (1.9 percent) lower than in the prior fiscal year. Tax receipts through June 2012 were $392 million (2.6 percent) below levels in the prior fiscal year, which largely reflect the impact of tax law changes and a large non-recurring audit recovery in the prior year. Higher non-tax receipts are mainly due to a legal settlement received in the current year.

Through June 2012, disbursements were $333 million (2.3 percent) below the prior year, reflecting the net impact of a significant year-over-year decrease in local assistance spending ($524 million) and agency operations ($23 million) due to timing of spending in FY 2013. The declines were partly offset by higher spending for General State Charges ($100 million) due to higher Workers' Compensation payments and increased transfers to other State funds ($114 million) to offset the MTA's expected loss of revenue as a result of the exemption granted to small business operators from the MTA's regional mobility tax, as included in the December 2011 tax reform legislation.

STATE OPERATING FUNDS RESULTS VERSUS ENACTED BUDGET

STATE OPERATING FUNDS RESULTS THROUGH JUNE 2012
(millions of dollars)

	Enacted Plan	Actual Results	Above/(Below) Variance
Opening Balance	**3,847**	**3,847**	**0**
Receipts	**20,773**	**20,575**	**(198)**
Personal Income Tax	10,508	10,631	123
User Taxes and Fees	3,590	3,465	(125)
Business Taxes	1,549	1,620	71
Other Taxes	736	761	25
Non-Tax Receipts	4,390	4,098	(292)
Disbursements	**20,473**	**19,054**	**(1,419)**
Education	5,278	5,281	3
Health Care	4,286	3,927	(359)
Social Services	924	681	(243)
All Other Local	3,361	3,032	(329)
Personal Service	3,036	3,015	(21)
Non-Personal Service	1,251	863	(388)
General State Charges	1,317	1,271	(46)
Debt Service	1,020	982	(38)
Capital Projects	-	2	2
Other Financing Sources	**892**	**991**	**99**
Change in Operations	**1,192**	**2,512**	**1,320**
Closing Balance	**5,039**	**6,359**	**1,320**

Tax collections were higher than planned in the personal income tax due to stronger than anticipated April 2012 extension payments; business taxes due to the timing of audit recoveries and stronger than expected gross bank tax collections; and MTA mobility tax collections, mainly due to a lag in taxpayer response to the tax reduction that took effect in April 2012. User Taxes and Fees fell below plan due to weaker than expected sales tax collections as a result of a warm winter and weak consumer demand. Likewise, non-tax receipts fell below plan collections across multiple non-General Fund accounts.

State Operating Funds spending was $1.4 billion below the estimate in the Enacted Budget Financial Plan. In addition to the General Fund variances described above, lower spending in other State funds appears to be due in part to the transition to SFS and is expected to correct itself in the coming months.

STATE OPERATING FUNDS YEAR-OVER-YEAR RESULTS

APRIL THROUGH JUNE STATE OPERATING FUNDS RESULTS YEAR-OVER-YEAR (millions of dollars)				
	FY 2012 Results	FY 2013 Results	Increase/(Decrease) $	%
Opening Balance	**3,969**	**3,847**	**(122)**	
Receipts	**20,971**	**20,575**	**(396)**	**-1.9%**
Personal Income Tax	10,970	10,631	(339)	-3.1%
User Taxes and Fees	3,498	3,465	(33)	-0.9%
Business Taxes	1,719	1,620	(99)	-5.8%
Other Taxes	735	761	26	3.5%
Non-Tax Receipts	4,049	4,098	49	1.2%
Disbursements	**20,183**	**19,054**	**(1,129)**	**-5.6%**
Education	5,293	5,281	(12)	-0.2%
Health Care	4,399	3,927	(472)	-10.7%
Social Services	810	681	(129)	-15.9%
All Other Local	3,162	3,032	(130)	-4.1%
Personal Service	3,003	3,015	12	0.4%
Non-Personal Service	1,250	863	(387)	-31.0%
General State Charges	1,248	1,271	23	1.8%
Debt Service	1,017	982	(35)	-3.4%
Capital Projects	1	2	1	100.0%
Other Financing Sources	**1,202**	**991**	**(211)**	
Change in Operations	**1,990**	**2,512**	**522**	
Closing Balance	**5,959**	**6,359**	**400**	

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Total receipts through June 2012 were $396 million lower (1.9 percent) than in the prior fiscal year Tax receipts through June 2012 were $445 million below FY 2012 levels. Lower personal income tax collections ($339 million) and user taxes ($33 million) are primarily attributable to tax law changes. The decline in business tax receipts ($99 million) is mainly attributable to a large audit collection in the first quarter of FY 2012 that did not recur in the current fiscal year. Increased year-to-date collections from other taxes ($26 million) reflect the impact of timing associated with real estate transfer tax payments from New York City. Non-tax receipts through June 2012 were $49 million above results in the prior fiscal year due to improved collections in certain accounts.

Disbursements through the first quarter of FY 2013 were $1.1 billion (5.6 percent) below the prior year due to the timing of payments in the current year.

OTHER MATTERS AFFECTING THE FINANCIAL PLAN

GENERAL

The Updated 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 Updated 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 Updated 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 continued or worsening strife in the Middle East, the Euro-zone financial crises, 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 debt reduction on consumer spending and State tax collections.

Among other factors, the Updated 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 Updated 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 Updated 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

While it is estimated in the Updated Financial Plan that the General Fund will remain in balance in FY 2013, there can be no assurance that the State will end the current fiscal year in General Fund balance on a budgetary (cash) basis of accounting, or that the General Fund budget gaps will not increase materially from current projections. If such events 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; delays in or 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 Updated 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 addition, savings are dependent upon timely Federal approvals, appropriate amendments to existing systems and processes, revenue performance in the State's HCRA fund, which provides support for approximately one-third of the DOH State-share of Medicaid costs, and the participation of health care industry stakeholders. In particular, funding resources that are expected to be generated through health care surcharges and other provider assessments may decline as a result of Medicaid redesign initiatives which reduce expenditures and unnecessary utilization, as well as from the continued shift of fee-for-service delivery models to managed care. An inability to achieve these planned savings would reduce the available funding support for Medicaid from HCRA, and could potentially require a commensurate level of additional General Fund support in order to meet program needs.

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 receipts at the levels expected in the Updated Financial Plan, including payments pursuant to the Tribal-State Compact that have failed to materialize in prior years; 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 Updated Financial Plan in the current year or future years.

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 is entitled to proceeds from a health care conversion, and such must be used for health-care-related expenses. The Updated Financial Plan continues to count on proceeds of $250 million in FY 2013 and $300 million annually in FYs 2014, 2015, and 2016, which would be deposited into the HCRA account. If a conversion does not occur on the timetable or at the levels assumed in the Updated Financial Plan, the State will be required to take other actions to increase available resources or to reduce planned spending in HCRA.

STATUS OF CURRENT LABOR NEGOTIATIONS

The State has multi-year labor contracts with its two largest employee unions, CSEA and PEF, as well as NYSPBA (representing the APSU bargaining unit, formerly ALES), NYSCOPBA, and Council 82. The contracts provide for no general salary increases for FY 2012 through FY 2014, substantial increases to employee health insurance contributions, and a temporary reduction in employee compensation through a deficit reduction program. Employees will receive a $1,000 lump sum payment ($775 paid in FY 2014 and $225 paid in FY 2015); a 2 percent salary increase in each of FY 2015 and FY 2016; and be repaid the value of FY 2013 deficit reduction adjustments at the end of their contract term. The PEF contract generally mirrors the provisions for the other unions, but the contract is different in that it covers a four-year period and has a deficit reduction provision. PEF employees will receive a 2 percent salary increase in FY 2015.

Employees in the unions that have reached settlements with the State have contingent layoff protection for FY 2013 and limited continuing layoff protection for the full term of the agreements. Reductions in force 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.

The State is in negotiations with its other unions, the largest of which is UUP, which represents faculty and non-teaching professional staff within the State University system.

LABOR SETTLEMENTS FOR PRIOR CONTRACT PERIODS

The Updated Financial Plan continues to include a planned reserve to cover the costs of a pattern settlement with unions that have not agreed to contracts for prior contract periods. The amount of the reserve 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 for prior periods will not exceed the amounts reserved. In addition, the State's ability to fund the amounts reserved in FY 2014 and beyond depends on the achievement of balanced budgets in those years.

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 Updated Financial Plan assumes salary increases in the Judiciary's current budget projections at the levels authorized by the Commission.

CURRENT CASH-FLOW PROJECTIONS

The State authorizes the General Fund to borrow resources temporarily from 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 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 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 set aside for debt service payments.

In FY 2012, the General Fund used STIP to meet certain payment obligations during April 2011, and repaid such amounts by the end of the same month.

Based on current information, DOB expects that the State will have sufficient liquidity to make payments as they become due throughout FY 2013, but that the General Fund may, from time to time, need to borrow resources temporarily from other funds in STIP. 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. Consistent with prior years, DOB estimates that available daily balances in STIP from time to time will reach relatively low levels in the third and fourth quarters of the current fiscal year. DOB continues to monitor the flow of funds and may take action from time to time to manage the timing of payments.

The following table provides actual month-end balances through June 2012 and estimated balances for the remaining months in FY 2013.

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

	General Fund	Other Funds	All Funds
April (Results)	5,637	2,349	7,986
May (Results)	2,018	2,831	4,849
June (Results)	2,935	2,070	5,005
July (Est.)	2,575	2,346	4,921
August (Est.)	1,272	3,405	4,677
September (Est.)	4,098	971	5,069
October (Est.)	3,056	1,383	4,439
November (Est.)	1,935	2,337	4,272
December (Est.)	1,327	780	2,107
January (Est.)	5,342	2,149	7,491
February (Est.)	5,721	2,818	8,539
March (Est.)	1,474	1,743	3,217

FEDERAL ACTIONS

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes. Any reductions in Federal funding, could have a materially adverse impact on the State's Updated Financial Plan. DOB's forecast assumes that Congress will act by the end of calendar year 2012 to avert automatic Federal spending reductions and tax increases by extending both the Bush-era tax reductions and the payroll tax reduction authorized in 2009. Additionally, the forecast assumes that Federal income tax increases scheduled for tax years 2013 and thereafter, as part of the Affordable Care Act, will be implemented as planned. The Affordable Care Act tax provisions are expected to result in an increase in State receipts in FY 2013, and declines thereafter, as taxpayers reduce the level of capital gains realizations in response to the higher Federal tax rate.

The Federal Budget Control Act ("BCA") of 2011 imposed annual caps on Federal discretionary spending over a ten-year period. The specific spending reductions necessary for Congress to live within the caps will be decided through the annual Federal budget process, so the magnitude of impact on Federal funds for the State has yet to be determined. Further, if additional deficit reduction is not enacted, the BCA directs that savings be achieved through sequestration of FY 2013 funding, with across-the-board cuts to Federal discretionary programs scheduled for January 2013, and lower discretionary caps in the following eight years. It is estimated that Federal non-defense discretionary programs would face an across-the-board reduction of approximately 7.8 percent in January 2013.

The State is analyzing the potential impact of the BCA on the Updated Financial Plan and State economy. If the sequester is implemented, DOB estimates that New York State and local governments could lose approximately $5 billion in Federal funding over nine years, beginning in FY 2013, from these additional Federal deficit reduction measures. DOB expects to make adjustments to the Financial Plan as more definitive information becomes available.

In addition, the Updated 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, and, although no official audit has commenced, questions have been raised with respect to the reimbursement methodology used for New York State OPWDD-delivered developmental center services. The rates paid for these services are established in full accordance with the methodology set forth in New York's federally-approved State Plan. While New York State continues to work collaboratively with its Federal partners to resolve these concerns, adverse action by the Federal government relative to these claims could jeopardize a significant amount of Federal financial participation in the State Medicaid program.

PENSION AMORTIZATION

Under legislation enacted in August 2010, the State and local governments may amortize (defer paying) a portion of their annual 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, in FY 2013 are 11.5 percent of payroll for the Employees Retirement System (ERS) and 19.5 percent for the Police and Fire Retirement System (PFRS), may be amortized.

The Enacted Budget Financial Plan assumes that the State will continue to 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, 10.5 percent in FY 2012 and is 11.5 percent in FY 2013, and is expected to be 12.5 percent in FY 2014, 13.5 percent in FY 2015 and 14.5 percent in FY 2016. The PFRS rate was 17.5 percent in FY 2011, 18.5 percent in FY 2012 and is 19.5 percent in FY 2013 and is expected to be 20.5 percent in FY 2014, 21.5 percent in FY 2015 and 22.5 percent in FY 2016. 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 is required to begin repayment of the amounts amortized beginning in the fiscal year immediately following the amortizations. Repayment of the amortized amounts is required to 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 February and March 2012, the State made pension payments that totaled $1.321 billion for FY 2012, and amortized $491 million. This payment included a $118 million pre-payment of certain outstanding liabilities. In addition, the State's Office of Court Administration (OCA) made its pension payment of $190 million, and amortized $72 million. The $563 million in total deferred payments will be repaid with interest over the next ten years, beginning in the current fiscal year, FY 2013. For amounts amortized in FY 2011 and FY 2012, the State Comptroller set interest rates of 5 percent and 3.75 percent, respectively. The Enacted Budget 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 3.75 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 actual "New Amortized Amounts" in prior years and assumed "New Amortized Amounts" 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 DOB 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 3.75%
2011 Actual	1,552.8	(249.6)	0.0	0.0	1,303.2	0.0	0.0
2012 Actual	2,041.7	(562.9)	32.3	0.0	1,511.1	0.0	0.0
2013 Projected	2,088.5	(781.9)	100.9	0.0	1,407.5	0.0	0.0
2014 Projected	2,388.6	(770.6)	196.1	0.0	1,814.1	0.0	0.0
2015 Projected	2,683.7	(915.5)	289.9	0.0	2,058.1	0.0	0.0
2016 Projected	2,421.1	(553.9)	401.4	0.0	2,268.6	0.0	0.0
2017 Projected	2,317.1	(435.3)	468.8	0.0	2,350.6	0.0	0.0
2018 Projected	2,399.3	(343.4)	521.8	0.0	2,577.7	0.0	0.0
2019 Projected	2,434.4	(195.7)	563.6	0.0	2,082.3	0.0	0.0
2020 Projected	2,510.3	(93.2)	587.4	0.0	3,004.5	0.0	0.0
2021 Projected	2,649.7	(34.9)	598.8	0.0	3,213.6	0.0	0.0
2022 Projected	2,197.4	0.0	570.7	362.7	3,130.8	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	353.0
2025 Projected	1,528.9	0.0	0.0	831.8	2,360.7	1,172.1	1,229.2
2026 Projected	1,125.9	0.0	0.0	1,155.8	2,281.7	2,327.9	2,474.5

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 AIS include these costs.
2. Includes payments from amortization prior to FY 2011. Such prior amortization payments will end in FY 2016.

DEBT REFORM ACT LIMIT

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. The State was found to be in compliance with the statutory caps for the most recent calculation period (October 2011).

In general, the projections for new bonding over the five-year capital plan do not assume new or increased debt authorizations. 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 relatively limited 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 $3.6 billion in FY 2012 to $752 million in FY 2014, then increase. The State is continuing to implement measures to address capital spending priorities and debt financing practices.

NEW DEBT OUTSTANDING - CAPPED AT 4 PERCENT OF PERSONAL INCOME (millions of dollars)					
Year	Personal Income	Cap %	Actual/ Recommended %	$ (Above)/Below	% (Above)/Below
FY 2012	983,868	4.00%	3.64%	3,552	0.36%
FY 2013	1,018,904	4.00%	3.87%	1,366	0.13%
FY 2014	1,068,876	4.00%	3.93%	752	0.07%
FY 2015	1,129,704	4.00%	3.91%	1,064	0.09%
FY 2016	1,187,324	4.00%	3.87%	1,524	0.13%
FY 2017	1,245,033	4.00%	3.79%	2,610	0.21%

NEW DEBT SERVICE COSTS - CAPPED AT 5 PERCENT OF ALL FUNDS RECEIPTS (millions of dollars)					
Year	All Funds Receipts	Cap %	Actual/ Recommended %	$ (Above)/Below	% (Above)/Below
FY 2012	132,745	4.65%	2.65%	2,652	2.00%
FY 2013	133,444	4.98%	2.85%	2,848	2.13%
FY 2014	138,732	5.00%	2.96%	2,830	2.04%
FY 2015	142,887	5.00%	3.05%	2,793	1.95%
FY 2016	147,712	5.00%	3.12%	2,782	1.88%
FY 2017	153,922	5.00%	3.16%	2,834	1.84%

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, 2012, there were about $503 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 Updated Financial Plan projections continue to reflect the assumption of additional costs of $3 million in FY 2013, $32 million in FY 2014, and $39 million annually thereafter. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for four hospitals that currently are not meeting the terms of their agreement with DASNY. The State has additional exposure of up to a maximum of $39 million annually, if all additional hospitals in the program failed to meet the terms of their agreement with DASNY and if available reserve funds were depleted.

BOND MARKET

Implementation of the Updated 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, the State's overall cash position and capital funding plan may be affected adversely. The success of projected public sales is subject to prevailing market conditions. Future developments in the financial markets generally, as well as future developments concerning the State, may affect the market for outstanding State-supported and State-related debt as well as the associated interest costs.

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 Financial Plan. For more information on litigation affecting the State, see the section entitled "Litigation and Arbitration" later in this AIS Update.

OTHER POST-EMPLOYMENT BENEFITS

State employees become eligible for post-employment benefits (health insurance) if they reach retirement while working for the State with at least ten years of service. The cost of providing post-retirement health insurance is shared between the State and the retired employee. Contributions are established by law and may be amended by the Legislature. The State pays its share of costs on a PAYGO basis as required by law.

In accordance with GASB 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 2012, 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 to 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 2012, an actuarial valuation of OPEB liabilities was performed as of April 1, 2010. The valuation calculated the present value of the actuarial accrued total liability for benefits as of April 1, 2010 at $72.1 billion ($59.7 billion for the State and $12.4 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. An actuarial valuation of OPEB liabilities as of April 1, 2012 is being performed and is expected to be finalized later this year.

The Annual Required Contribution (ARC) for FY 2012 totaled $3.9 billion ($3.1 billion for the State and $0.8 billion for SUNY) under the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. This was $2.5 billion ($1.9 billion for the State and $0.6 billion for SUNY) above the payments for retiree costs made by the State in FY 2012. This difference between the State's PAYGO costs and the actuarially determined required annual contribution under GASB 45 reduced the State's currently positive net asset condition at the end of FY 2012 by $2.5 billion.

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

There is no provision in the Updated Financial Plan to pre-fund OPEB liabilities. If such liabilities were pre-funded, 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.

FINANCIAL PLAN PROJECTIONS
FISCAL YEARS 2013 THROUGH 2016

INTRODUCTION

This section presents the State's updated multi-year Financial Plan and the projections for receipts and disbursements, reflecting the impact of the revisions to the Enacted Budget Financial Plan described in this AIS Update. This section includes FY 2012 results and projections for 2013 through 2016, with an emphasis on the FY 2013 projections.

The State's cash-basis budgeting system, complex fund structure, and practice of earmarking certain tax receipts for specific purposes, complicate the discussion of the State's receipts and disbursements 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 certain tax receipts.

- **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.

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 Updated Financial Plan. Accordingly, in terms of out-year projections (FY 2014 through FY 2016), FY 2014 is the most relevant from a planning perspective.

SUMMARY

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[2]. The tables are followed by an updated economic forecast and a summary of the multi-year receipts and disbursements forecasts.

GENERAL FUND PROJECTIONS
(millions of dollars)

	FY 2012 Results	FY 2013 Updated	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Receipts					
Taxes (After Debt Service)	52,634	54,442	57,720	58,747	61,045
Miscellaneous Receipts/Federal Grants	3,222	3,414	2,881	2,297	2,389
Other Transfers	1,044	1,039	866	774	764
Total Receipts	**56,900**	**58,895**	**61,467**	**61,818**	**64,198**
Disbursements					
Local Assistance Grants	38,419	39,668	41,871	43,225	45,489
School Aid	16,778	17,003	17,832	18,641	19,585
Medicaid	10,301	10,604	11,158	11,454	12,332
All Other	11,340	12,061	12,881	13,130	13,572
State Operations	7,494	8,005	7,117	7,403	7,736
Personal Service	5,781	6,170	5,487	5,632	5,915
Non-Personal Service	1,713	1,835	1,630	1,771	1,821
General State Charges	4,720	4,499	4,889	5,235	5,527
Gross State Pension Contribution	1,697	1,600	2,012	2,257	2,467
Gross State Employee Health Insurance	3,275	3,202	3,411	3,670	3,951
Fringe Benefit Escrow Offset/Fixed Costs	(252)	(303)	(534)	(692)	(891)
Transfers to Other Funds	5,856	7,036	8,655	9,535	9,802
Debt Service	1,516	1,564	1,617	1,514	1,488
Capital Projects	798	1,055	1,287	1,403	1,299
State Share Medicaid	2,722	2,975	2,767	2,621	2,521
Mental Hygiene	0	0	824	1,756	2,347
SUNY - Disproportionate Share Payments	225	228	228	228	228
School Aid - Lottery/VLT Aid Guarantee	55	19	0	0	0
SUNY - University Operations Subsidy	0	340	983	1,002	1,022
SUNY - Hospital Operations Subsidy	60	81	88	88	88
Department of Transportation (MTA Tax)	22	280	332	334	334
Judiciary Funds	123	115	116	117	118
All Other	335	379	413	472	357
Total Disbursements	**56,489**	**59,208**	**62,532**	**65,398**	**68,554**
Change in Reserves	**411**	**(313)**	**(83)**	**10**	**14**
Prior-Year Labor Agreements (2007-11)	285	(206)	(26)	10	14
Community Projects Fund	51	(45)	(57)	0	0
Undesignated Fund Balance	75	(62)	0	0	0
Budget Surplus/(Gap) Projections	**0**	**0**	**(982)**	**(3,590)**	**(4,370)**

[2] The annual 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.

STATE OPERATING FUNDS PROJECTIONS (millions of dollars)	FY 2012 Results	FY 2013 Updated	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Receipts					
Taxes	62,960	64,906	68,644	70,173	72,918
Miscellaneous Receipts/Federal Grants	19,656	20,223	20,356	20,124	20,287
Total Receipts	**82,616**	**85,129**	**89,000**	**90,297**	**93,205**
Disbursements					
Local Assistance Grants	57,267	58,807	61,884	63,903	66,157
School Aid	19,662	20,056	20,911	21,725	22,671
STAR	3,233	3,276	3,459	3,642	3,744
Other Education Aid	1,698	1,972	1,999	2,065	2,141
Higher Education	2,608	2,618	2,812	2,888	2,967
Medicaid (DOH incl. administration)	15,297	15,860	16,513	17,049	17,895
Public Health/Aging	2,104	2,041	2,219	2,315	2,072
Mental Hygiene	3,756	3,644	4,051	4,312	4,504
Social Services	3,017	3,031	3,434	3,431	3,563
Transportation	4,230	4,378	4,556	4,634	4,730
Local Government Assistance	754	777	789	801	803
All Other [1]	908	1,154	1,141	1,041	1,067
State Operations	17,451	17,965	18,060	18,557	19,241
Personal Service	12,047	12,470	12,494	12,832	13,364
Non-Personal Service	5,404	5,495	5,566	5,725	5,877
General State Charges	6,593	6,531	7,062	7,563	8,040
Pension Contribution	1,697	1,600	2,012	2,257	2,467
Health Insurance (Active Employees)	2,052	1,987	2,132	2,294	2,469
Health Insurance (Retired Employees)	1,223	1,215	1,279	1,376	1,482
All Other	1,621	1,729	1,639	1,636	1,622
Debt Service	5,864	6,100	6,415	6,484	6,645
Capital Projects	6	5	5	5	5
Total Disbursements	**87,181**	**89,408**	**93,426**	**96,512**	**100,088**
Net Other Financing Sources/(Uses)	4,443	4,127	3,682	3,180	2,979
Net Operating Surplus/(Deficit)	**(122)**	**(152)**	**(744)**	**(3,035)**	**(3,904)**
Reconciliation to General Fund Gap:					
Designated Fund Balances	**122**	**152**	**(238)**	**(555)**	**(466)**
General Fund	(411)	313	83	(10)	(14)
Special Revenue Funds	507	(57)	(208)	(409)	(446)
Debt Service Funds	26	(104)	(113)	(136)	(6)
General Fund Budget Gap	**0**	**0**	**(982)**	**(3,590)**	**(4,370)**

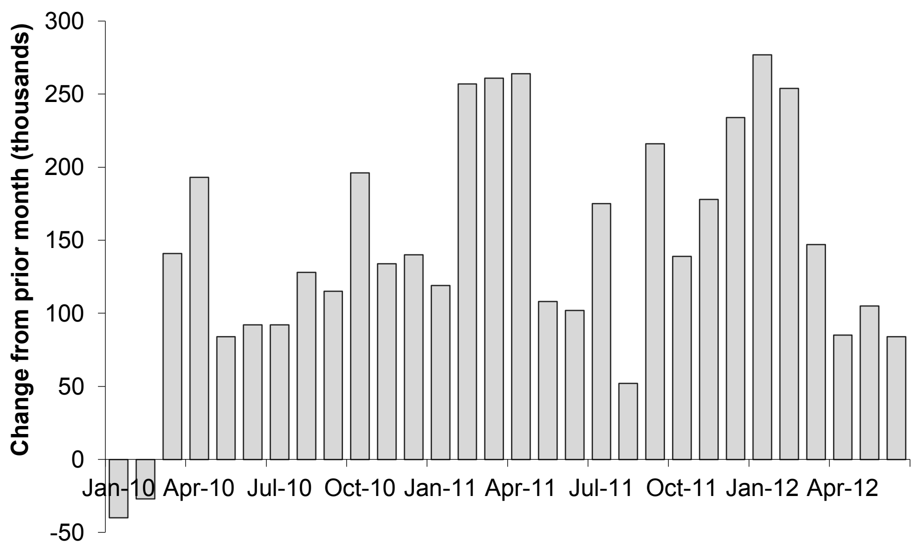
[1] All Other includes spending in a number of other programs, including parks and the environment, economic development, and public safety.

ECONOMIC BACKDROP

THE NATIONAL ECONOMY

The downside risks to the national economy from slowing global growth emphasized in the AIS have intensified. Both the national labor market and equity markets have been weaker than projected in April, which has in turn negatively affected household spending. Consumer spending only grew 1.5 percent during the second quarter, following growth of 2.5 percent in the first quarter. This slowdown appears to have occurred despite continued robust auto sales and a stronger than projected upturn in the housing market in April. The depressing economic effect on the demand for energy-related goods, due to the unusually warm winter weather, appears to be sustained. These developments translate into a weaker forecast for both the nation and the State relative to the economic forecast reflected in the AIS. Growth of 1.9 percent in real U.S. GDP is now projected for 2012, with the economy projected to grow 2.5 percent for 2013.

U.S. Private Sector Job Gains Decelerate … Again



Source: Moody's Analytics.

The U.S. labor market decelerated during the second quarter of calendar year 2012. Monthly private sector job gains slowed from an average monthly gain of 226,000 in the first quarter of 2012 to 91,000 in the second. Moreover, initial claims for unemployment insurance benefits have stayed remarkably stable, while the public sector has continued to shed jobs. On an annual average basis, DOB now projects downwardly revised employment growth of 1.4 percent for 2012. A less favorable outlook for employment, combined with a substantial downward revision to wages for the fourth quarter of last year, have led to downward revisions to both wages and total personal income as well. Personal income is now projected to rise 3.2 percent in 2012, with its largest component, wages, expected to rise only 3.1 percent. These growth rates are substantially below historical averages.

With Middle East tensions bubbling to the surface intermittently, energy prices have remained volatile. After hitting their lowest point since October 2011, oil prices have been on the rise. However, as supply fears subside, the impact of slower global growth on energy demand is expected to dominate movements in energy prices through the remainder of the calendar year. In the meantime, gasoline prices have fallen almost 50 cents below their most recent early April peaks. As a result, DOB has lowered projected inflation to 1.8 percent for 2012.

Demand from emerging markets was an important factor for growth during the early phase of the nation's economic recovery. However, the emerging markets sector deteriorated significantly as the European sovereign debt crisis led one of the world's largest markets into recession. Weaker demand from Europe has been a drag on emerging markets as well, creating further downward momentum in the global economy. As a result, real U.S. export growth has fallen from 11.3 percent in 2010 to 6.7 percent in 2011, and is projected to fall to 3.3 percent in 2012. U.S. corporate profits from current production fell 0.3 percent in the first quarter, led by an 11.8 percent decline in "rest of world" profits. Investor flight to safety drove equity market prices down 4.0 percent over the course of the second quarter and long-term Treasury yields down to historic lows. Slowing global growth is projected to continue to put downward pressure on both profits and equity markets through the end of 2012.

U.S. ECONOMIC INDICATORS
(Percent change from prior calendar year)

	2011 (Estimated)	2012 (Forecast)	2013 (Forecast)
Real U.S. Gross Domestic Product	1.7	1.9	2.5
Consumer Price Index (CPI)	3.1	1.8	1.7
Personal Income	5.0	3.2	4.4
Nonagricultural Employment	1.2	1.4	1.5

Source: Moody's Analytics; DOB staff estimates.

Consistent with a weaker outlook for both employment and output, DOB has altered its projections for both monetary and fiscal policy. The 10-year Treasury yield is now expected to remain below 2 percent for much of the remainder of calendar year 2012, with the Federal Reserve not expected to raise its short-term interest rate target before the beginning of 2014. The forecast is also predicated on the assumption that the U.S. Congress will extend both the Bush tax cuts and the payroll tax holiday through the end of 2013, though it is also expected that the tax provisions of the Affordable Care Act will be implemented as scheduled.

DOB's economic outlook continues to call for tepid but improving growth for the second half of this year, with growth accelerating to just above 3 percent by the latter half of 2013. However, there are significant risks to this forecast. Efforts to contain the European sovereign debt crisis remain ongoing, and coordinated government efforts to avert a more severe global slowdown appear underway. Nevertheless, momentum remains downward. A longer and deeper European recession or significantly slower growth in emerging markets could have a more negative impact on U.S. exports, corporate profits, and equity markets. Although the current forecast assumes U.S. fiscal policy will remain non-contractionary, the economic uncertainty could negatively impact private sector behavior as the end of the calendar year approaches. Higher than expected energy prices could have a similar effect. Alternatively, stronger than expected growth in the labor market could result in greater household spending than projected, while a milder recession in Europe and stronger global growth could result in a faster upturn in the demand for U.S. exports. Moreover, if gasoline prices fall significantly further, household spending growth could be stronger than anticipated, since energy price growth acts as a virtual tax on household spending.

THE NEW YORK STATE ECONOMY

The most recent data indicate that the pace of New York employment growth continues, with the State labor market entering 2012 with particular momentum in construction, professional and business services, private educational services, and tourism-related leisure and hospitality services. As a result, private sector employment growth of 1.8 percent is now projected for calendar year 2012, representing a significant upward revision from the Enacted Budget forecast reflected in the AIS. Total employment growth of 1.2 percent is projected for the 2012 calendar year, with the public sector expected to remain a drag on the State labor market through the end of the calendar year. Thus, estimated State wage growth for 2012 remains virtually unchanged at 3.1 percent, with projected growth in total personal income revised down slightly to 3.2 percent due to downward revisions to some of the nonwage components of income.

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

	2011 (Estimated)	2012 (Forecast)	2013 (Forecast)
Personal Income	4.3	3.2	4.9
Wages	3.8	3.1	4.7
Nonagricultural Employment	1.2	1.2	0.8

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

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, the volume of financial market activity and equity market volatility pose a particularly large degree of uncertainty for New York. In addition, with Wall Street still adjusting its compensation practices in the wake of the passage of financial reform, both the bonus and nonbonus components of employee pay are becoming increasingly difficult to estimate. A weaker than projected labor market could also result in lower wages, which in turn could result in weaker household consumption. Similarly, should financial and real estate markets be weaker than anticipated, taxable capital gains realizations could be negatively affected. Projected capital gains for 2012 could also be negatively affected if the tax rate provisions of the Affordable Care Act are not implemented as scheduled. These effects could ripple through the State economy, depressing both employment and wage growth. In contrast, higher than forecast national and world economic growth, or a stronger upturn in stock prices, along with more activity in mergers and acquisitions and other Wall Street activities, could result in higher wage and bonus growth than projected.

ALL FUNDS RECEIPTS PROJECTIONS

The receipts forecast describes estimates for the State's principal taxes, miscellaneous receipts, and transfers from other funds.

TOTAL RECEIPTS (millions of dollars)	FY 2012 Results	FY 2013 Estimated	Annual $ Change	Annual % Change
General Fund	56,900	58,895	1,995	3.5%
State Funds	88,111	90,769	2,658	3.0%
All Funds	132,745	133,443	698	0.5%

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

TOTAL RECEIPTS (millions of dollars)	FY 2012 Results	FY 2013 Estimated	Annual $ Change	Annual % Change	FY 2014 Projected	Annual $ Change	Annual % Change
General Fund	**56,900**	**58,895**	**1,995**	**3.5%**	**61,467**	**2,572**	**4.4%**
Taxes	41,754	43,293	1,539	3.7%	45,837	2,544	5.9%
Miscellaneous Receipts	3,162	3,354	192	6.1%	2,879	(475)	-14.2%
Federal Grants	60	60	0	0.0%	2	(58)	-96.7%
Transfers	11,924	12,188	264	2.2%	12,749	561	4.6%
State Funds	**88,111**	**90,769**	**2,658**	**3.0%**	**94,448**	**3,679**	**4.1%**
Taxes	64,297	66,307	2,010	3.1%	70,065	3,758	5.7%
Miscellaneous Receipts	23,669	24,317	648	2.7%	24,296	(21)	-0.1%
Federal Grants	145	145	0	0.0%	87	(58)	-40.0%
All Funds	**132,745**	**133,443**	**698**	**0.5%**	**138,733**	**5,290**	**4.0%**
Taxes	64,297	66,307	2,010	3.1%	70,065	3,758	5.7%
Miscellaneous Receipts	23,837	24,503	666	2.8%	24,482	(21)	-0.1%
Federal Grants	44,611	42,633	(1,978)	-4.4%	44,186	1,553	3.6%

After controlling for the impact of tax law changes, base tax revenue is estimated to increase by 6.1 percent for FY 2013 and 5.6 percent for FY 2014.

CHANGE FROM ENACTED BUDGET FORECAST PROVIDED IN AIS

CHANGE FROM ENACTED BUDGET FORECAST (millions of dollars)	FY 2013				FY 2014			
	Enacted Budget	First Quarter	$ Change	% Change	Enacted Budget	First Quarter	$ Change	% Change
General Fund[1]	**46,658**	**46,707**	**49**	**0.1%**	**48,722**	**48,718**	**(4)**	**0.0%**
Taxes	43,369	43,293	(76)	-0.2%	45,891	45,837	(54)	-0.1%
Miscellaneous Receipts	3,229	3,354	125	3.9%	2,829	2,879	50	1.8%
Federal Grants	60	60	0	0.0%	2	2	0	0.0%
State Funds	**90,598**	**90,769**	**171**	**0.2%**	**94,509**	**94,448**	**(61)**	**-0.1%**
Taxes	66,370	66,307	(63)	-0.1%	70,138	70,065	(73)	-0.1%
Miscellaneous Receipts	24,083	24,317	234	1.0%	24,284	24,296	12	0.0%
Federal Grants	145	145	0	0.0%	87	87	0	0.0%
All Funds	**133,272**	**133,443**	**171**	**0.1%**	**138,794**	**138,733**	**(61)**	**0.0%**
Taxes	66,370	66,307	(63)	-0.1%	70,138	70,065	(73)	-0.1%
Miscellaneous Receipts	24,269	24,503	234	1.0%	24,470	24,482	12	0.0%
Federal Grants	42,633	42,633	0	0.0%	44,186	44,186	0	0.0%

[1] Excludes Transfers.

Current year All Funds tax receipt estimates have been lowered by $63 million since the AIS due to reductions in user taxes partially offset by an increase in other taxes. Miscellaneous receipts have been revised up by $234 million due to the receipt of additional legal recoveries, transportation receipts, certain reimbursements, and VLT receipts.

MULTI-YEAR RECEIPTS

TOTAL RECEIPTS (millions of dollars)	FY 2013 Estimated	FY 2014 Projected	Annual $ Change	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change
General Fund	**58,895**	**61,467**	**2,572**	**61,818**	**351**	**64,198**	**2,380**
Taxes	43,293	45,837	2,544	46,509	672	48,426	1,917
State Funds	**90,769**	**94,448**	**3,679**	**95,533**	**1,085**	**98,487**	**2,954**
Taxes	66,307	70,065	3,758	71,604	1,539	74,366	2,762
All Funds	**133,443**	**138,733**	**5,290**	**142,889**	**4,156**	**147,713**	**4,824**
Taxes	66,307	70,065	3,758	71,604	1,539	74,366	2,762

The economic forecast calls for a continuation of the ongoing recovery in employment and wages. This increases the economic base on which the outyear revenue forecast is built. Overall, receipts in the two fiscal years following FY 2014 are expected to grow consistently with the projected moderate growth in both the U.S. and New York economies.

REVENUE RISKS

- DOB's forecast assumes that Congress will act by the end of calendar year 2012 to avert automatic Federal spending reductions and tax increases by extending both the Bush-era tax reductions and the payroll tax reduction authorized in 2009. Additionally, the forecast assumes that Federal income tax increases scheduled for tax years 2013 and thereafter, as part of the Affordable Care Act, will be implemented as planned. The Affordable Care Act tax provisions are expected to result in an increase in State receipts in FY 2013, and declines thereafter, as taxpayers reduce the level of capital gains realizations in response to the higher Federal tax rate.

- A return to high gasoline prices could divert disposable consumer income to fuel, decreasing consumption of taxable goods and services.

- A continuation of the European debt crisis could drive exports lower, causing corporate profits and tax receipts to grow more slowly than expected.

- Personal income tax liability could be reduced if taxpayers do not realize the capital gains assumed in the forecast in anticipation of the Affordable Care Act tax provisions.

- The Updated Financial Plan for FY 2013 contains significant savings generated as a result of 2010 tax credit deferral legislation. Same-year confirmation of these savings is unavailable given tax filing and processing delays, and actual savings could fall below estimates.

- Bank and corporate franchise tax revenue streams are contingent on the timing and size of anticipated audit proceeds. Negotiations between the State and taxpayers are subject to unexpected delays, which may force audit proceeds into a subsequent fiscal year.

PERSONAL INCOME TAX

PERSONAL INCOME TAX (millions of dollars)							
	FY 2012 Results	FY 2013 Estimated	Annual $ Change	Annual % Change	FY 2014 Projected	Annual $ Change	Annual % Change
General Fund[1]	**25,843**	**26,916**	**1,073**	**4.2%**	**28,920**	**2,004**	**7.4%**
Gross Collections	46,030	47,252	1,222	2.7%	50,354	3,102	6.6%
Refunds/Offsets	(7,263)	(6,996)	267	-3.7%	(7,182)	(186)	2.7%
STAR	(3,233)	(3,276)	(43)	1.3%	(3,459)	(183)	5.6%
RBTF	(9,691)	(10,064)	(373)	3.8%	(10,793)	(729)	7.2%
State/All Funds	**38,767**	**40,256**	**1,489**	**3.8%**	**43,172**	**2,916**	**7.2%**
Gross Collections	46,030	47,252	1,222	2.7%	50,354	3,102	6.6%
Refunds	(7,263)	(6,996)	267	-3.7%	(7,182)	(186)	2.7%

[1] Excludes Transfers.

All Funds PIT receipts for FY 2013 are projected to be $40.3 billion, an increase of $1.5 billion (3.8 percent) from FY 2012. This primarily reflects modest increases in withholding and current estimated payments for tax year 2012, a decrease in total refunds, and higher delinquent collections partially offset by a decrease in extension (i.e. prior year estimated) payments for tax year 2011.

General Fund income tax receipts for FY 2013 of $26.9 billion are expected to increase by $1.1 billion (4.2 percent) from the prior year, mainly reflecting the increase in All Funds receipts noted above. However, a $373 million increase in the RBTF deposit and a $43 million increase in the STAR deposit partially offset the All Funds increase.

All Funds income tax receipts for FY 2014 of $43.2 billion are projected to increase $2.9 billion (7.2 percent) from the prior year. This increase primarily reflects increases of $2.2 billion (6.7 percent) in withholding, $811 million (6.9 percent) in total estimated payments, partially offset by a $186 million (2.7 percent) increase in total refunds. The increase in total estimated payments includes a $538 million (6.3 percent) increase in estimated payments related to tax year 2013 (i.e. current year estimated) and $273 million (8.5 percent) in extension payments related to tax year 2012 (i.e. prior year estimated). The strong projection for extension payments for tax year 2012 reflects some acceleration in realizations of capital gains in anticipation of the scheduled increase in the Federal tax rate on investment income starting with tax year 2013.

General Fund income tax receipts for FY 2014 of $28.9 billion are projected to increase by $2 billion (7.4 percent). The RBTF and STAR deposits are projected to increase by $729 million and $183 million, respectively.

PERSONAL INCOME TAX CHANGE FROM ENACTED BUDGET FORECAST
(millions of dollars)

	FY 2013				FY 2014			
	Enacted Budget	First Quarter	$ Change	% Change	Enacted Budget	First Quarter	$ Change	% Change
General Fund[1]	**26,916**	**26,916**	**0**	**0.0%**	**28,920**	**28,920**	**0**	**0.0%**
Gross Collections	47,702	47,252	(450)	-0.9%	50,930	50,354	(576)	-1.1%
Refunds/Offsets	(7,446)	(6,996)	450	-6.0%	(7,757)	(7,182)	575	-7.4%
STAR	(3,276)	(3,276)	0	0.0%	(3,460)	(3,459)	1	0.0%
RBTF	(10,064)	(10,064)	0	0.0%	(10,793)	(10,793)	0	0.0%
State/All Funds[2]	**40,256**	**40,256**	**0**	**0.0%**	**43,173**	**43,172**	**(1)**	**0.0%**
Gross Collections	47,702	47,252	(450)	-0.9%	50,930	50,354	(576)	-1.1%
Refunds	(7,446)	(6,996)	450	-6.0%	(7,757)	(7,182)	575	-7.4%

[1] Excludes Transfers.
[2] Change of $1 million due to rounding.

Compared to the Enacted Budget Financial Plan forecast included in the AIS, FY 2013 All Funds income tax receipts are unchanged. However, withholding is projected to decrease by $575 million, and final returns by $50 million, both mainly reflecting actual results to date. These decreases are expected to be offset by a $450 million reduction in total refund payments, an additional $150 million in total estimated payments, and an increase of $25 million in delinquent collections.

The decrease in withholding mostly reflects consistently unfavorable receipt variances through the first quarter of FY 2013. This was due to a combination of weaker than projected wages and potential unfavorable timing of payments associated with the December 2011 PIT reform. The refund reduction includes $300 million in lower refunds associated with tax year 2011 (mostly reflecting lower actual results); a $100 million State-city offset reduction, and a $50 million reduction in refunds associated with years prior to 2011 (i.e. previous year refunds). The increase in total estimated payments includes acknowledgement of $470 million in higher than expected April extension payments for tax year 2011 (i.e. prior year estimated) partially offset by a reduction of $320 million in estimated payments for tax year 2012 (i.e. current year estimated), which in turn reflects weaker estimated non-wage income.

Compared to the AIS, FY 2014 All Funds income tax receipts are also unchanged. Projected withholding has been lowered by $475 million and likewise, extension payments on tax year 2013 liability have been lowered by $100 million. These decreases are projected to be offset by $450 million in lower refund payments for tax year 2012 and $125 million in lower refunds for tax years prior to 2012 (i.e. previous year refunds).

PERSONAL INCOME TAX
(millions of dollars)

	FY 2014 Projected	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change
General Fund[1]	**28,920**	**29,613**	**693**	**30,614**	**1,001**
Gross Collections	50,354	52,421	2,067	54,544	2,123
Refunds/Offsets	(7,182)	(8,081)	(899)	(8,733)	(652)
STAR	(3,459)	(3,642)	(183)	(3,744)	(102)
RBTF	(10,793)	(11,085)	(292)	(11,453)	(368)
State/All Funds	**43,172**	**44,340**	**1,168**	**45,811**	**1,471**
Gross Collections	50,354	52,421	2,067	54,544	2,123
Refunds	(7,182)	(8,081)	(899)	(8,733)	(652)

[1] Excludes Transfers.

All Funds income tax receipts for FY 2015 of $44.3 billion are projected to increase $1.2 billion (2.7 percent) from the prior year. This change primarily reflects increases of $1.2 billion (3.5 percent) in withholding; $1 billion (11.5 percent) in estimated payments related to tax year 2014 (i.e. current year estimated), partially offset by a $899 million (12.5 percent) increase in total refunds (partly due to the commencement of tax credit deferral paybacks); a $132 million decrease in extension payments for tax year 2013 (i.e. prior year estimated); and a $115 million decrease in final returns payments for tax year 2013 (i.e. current year). Delinquencies are projected to increase $51 million (4.4 percent) from the prior year.

General Fund income tax receipts for FY 2015 of $29.6 billion are projected to increase by $693 million (2.4 percent). RBTF deposits are projected to increase by $292 million and STAR payments by $183 million.

All Funds income tax receipts are projected to increase by nearly $1.5 billion (3.3 percent) in FY 2016 to reach $45.8 billion, while General Fund receipts are projected to be $30.6 billion.

USER TAXES AND FEES

USER TAXES AND FEES (millions of dollars)	FY 2012 Results	FY 2013 Estimated	Annual $ Change	Annual % Change	FY 2014 Projected	Annual $ Change	Annual % Change
General Fund[1]	**9,055**	**9,196**	**141**	**1.6%**	**9,570**	**374**	**4.1%**
Sales Tax	8,346	8,483	137	1.6%	8,863	380	4.5%
Cigarette and Tobacco Taxes	471	469	(2)	-0.4%	462	(7)	-1.5%
Alcoholic Beverage Taxes	238	244	6	2.5%	245	1	0.4%
State/All Funds	**14,571**	**14,814**	**243**	**1.7%**	**15,334**	**520**	**3.5%**
Sales Tax	11,876	12,095	219	1.8%	12,635	540	4.5%
Cigarette and Tobacco Taxes	1,633	1,615	(18)	-1.1%	1,585	(30)	-1.9%
Motor Fuel	501	515	14	2.8%	516	1	0.2%
Highway Use Tax	132	147	15	11.4%	142	(5)	-3.4%
Alcoholic Beverage Taxes	238	244	6	2.5%	245	1	0.4%
Taxicab Surcharge	87	89	2	2.3%	96	7	7.9%
Auto Rental Tax	104	109	5	4.8%	115	6	5.5%

[1] Excludes Transfers.

All Funds user taxes and fees receipts for FY 2013 are estimated to be $14.8 billion, an increase of $243 million (1.7 percent) from FY 2012. All Funds sales tax receipts are estimated to be $12.1 billion, an increase of $219 million ($1.8 percent) from FY 2012. This includes the loss of $210 million in receipts from the partial taxation of clothing in FY 2012. The underlying sales tax base measured before the impact of law changes is estimated to increase by 3.8 percent. Non-sales tax user taxes and fees are estimated to increase by $24 million from FY 2012 due primarily to tax law changes pertaining to alcoholic beverage taxes, and to the issuance of highway use tax decals.

General Fund user taxes and fees receipts are expected to total $9.2 billion in FY 2013, an increase of $141 million (1.6 percent) from FY 2012.

All Funds user taxes and fees receipts for FY 2014 are projected to be $15.3 billion, an increase of $520 million (3.5 percent) from FY 2013. General Fund user taxes and fees receipts are projected to total $9.6 billion in FY 2014, an increase of $374 million (4.1 percent) from FY 2013. These changes are consistent with a trend increase in taxable consumption and a trend decline in cigarette consumption.

USER TAXES AND FEES CHANGE FROM ENACTED BUDGET FORECAST (millions of dollars)	FY 2013				FY 2014			
	Enacted Budget	First Quarter	$ Change	% Change	Enacted Budget	First Quarter	$ Change	% Change
General Fund[1]	**9,271**	**9,196**	**(75)**	**-0.8%**	**9,626**	**9,570**	**(56)**	**-0.6%**
Sales Tax	8,561	8,483	(78)	-0.9%	8,922	8,863	(59)	-0.7%
Cigarette and Tobacco Taxes	469	469	0	0.0%	462	462	0	0.0%
Alcoholic Beverage Taxes	241	244	3	1.2%	242	245	3	1.2%
State/All Funds	**14,921**	**14,814**	**(107)**	**-0.7%**	**15,413**	**15,334**	**(79)**	**-0.5%**
Sales Tax	12,205	12,095	(110)	-0.9%	12,717	12,635	(82)	-0.6%
Cigarette and Tobacco Taxes	1,615	1,615	0	0.0%	1,585	1,585	0	0.0%
Motor Fuel	515	515	0	0.0%	517	516	(1)	-0.2%
Highway Use Tax	147	147	0	0.0%	142	142	0	0.0%
Alcoholic Beverage Taxes	241	244	3	1.2%	242	245	3	1.2%
Taxicab Surcharge	89	89	0	0.0%	96	96	0	0.0%
Auto Rental Tax	109	109	0	0.0%	114	115	1	0.9%

[1] Excludes Transfers.

All Funds user taxes and fees for FY 2013 are estimated to be $14.8 billion, a decrease of $107 million (0.7 percent) from the AIS. The sales tax estimate was revised downward by $110 million to reflect weaker than estimated FY 2013 first quarter results. This was primarily the result of weakness in consumer electronics, utilities, and other general merchandise sales and a year-to-year accounting adjustment. This is partially offset by a $2.7 million increase in alcoholic beverage tax receipts resulting from the elimination of an exemption for small brewers, which was replaced by a $2.7 million personal income and business tax credit for certain beer production in the State. General Fund user taxes and fees receipts are projected to total nearly $9.2 billion in FY 2013, a decrease of $75 million (0.8 percent) from the AIS. The reduction is consistent with All Funds discussion above.

All Funds user taxes and fees for FY 2014 are projected to be more than $15.3 billion, a decrease of $79 million (0.5 percent) from the AIS as a result of both lower projected sales tax base growth and the flow through of lower FY 2013 to-date actuals. General Fund user taxes and fees receipts are projected to total nearly $9.6 billion in FY 2014, a decrease of $56 million (0.6 percent) from the AIS. These reductions reflect the All Funds discussion above.

USER TAXES AND FEES
(millions of dollars)

	FY 2014 Projected	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change
General Fund[1]	**9,570**	**9,986**	**416**	**10,351**	**365**
Sales Tax	8,863	9,281	418	9,654	373
Cigarette and Tobacco Taxes	462	455	(7)	447	(8)
Alcoholic Beverage Taxes	245	250	5	250	0
State/All Funds	**15,334**	**15,909**	**575**	**16,424**	**515**
Sales Tax	12,635	13,220	585	13,748	528
Cigarette and Tobacco Taxes	1,585	1,556	(29)	1,526	(30)
Motor Fuel	516	520	4	523	3
Highway Use Tax	142	144	2	152	8
Alcoholic Beverage Taxes	245	250	5	250	0
Taxicab Surcharge	96	100	4	101	1
Auto Rental Tax	115	119	4	124	5

[1] Excludes Transfers.

All Funds user taxes and fees are projected to reach $15.9 billion in FY 2015 and $16.4 million in FY 2016. This largely reflects continued growth in the sales tax base. General Fund user taxes and fees are projected to be nearly $10 billion in FY 2015 and $10.4 billion in FY 2016.

BUSINESS TAXES

BUSINESS TAXES (millions of dollars)	FY 2012 Results	FY 2013 Estimated	Annual $ Change	Annual % Change	FY 2014 Projected	Annual $ Change	Annual % Change
General Fund	**5,760**	**6,035**	**275**	**4.8%**	**6,208**	**173**	**2.9%**
Corporate Franchise Tax	2,724	2,737	13	0.5%	2,931	194	7.1%
Corporation & Utilities Tax	617	684	67	10.9%	662	(22)	-3.2%
Insurance Tax	1,257	1,322	65	5.2%	1,373	51	3.9%
Bank Tax	1,161	1,292	131	11.3%	1,242	(50)	-3.9%
Petroleum Business Tax	1	0	(1)	-100.0%	0	0	0.0%
State/All Funds	**7,877**	**8,226**	**349**	**4.4%**	**8,463**	**237**	**2.9%**
Corporate Franchise Tax	3,176	3,172	(4)	-0.1%	3,413	241	7.6%
Corporation & Utilities Tax	797	879	82	10.3%	860	(19)	-2.2%
Insurance Tax	1,413	1,479	66	4.7%	1,539	60	4.1%
Bank Tax	1,391	1,534	143	10.3%	1,451	(83)	-5.4%
Petroleum Business Tax	1,100	1,162	62	5.6%	1,200	38	3.3%

All Funds business tax receipts for FY 2013 are estimated at $8.2 billion, an increase of $349 million (4.4 percent) from the prior year. The estimates reflect growth across all taxes except the corporate franchise tax. The estimate includes an incremental increase of $71 million from the deferral of certain tax credits that was part of the FY 2011 Enacted Budget. Adjusted for this deferral, All Funds growth is 3.5 percent.

All Funds business tax receipts for FY 2014 of $8.5 billion are projected to increase $237 million (2.9 percent) from the prior year reflecting growth in the corporate franchise, insurance and petroleum business taxes. A decline is expected in the corporation and utilities tax due to the expected payment of a large prior year telecommunications refund. Bank tax receipts are expected to decline as a result of lower audit receipts in FY 2014.

General Fund business tax receipts for FY 2013 of $6 billion are estimated to increase by $275 million (4.8 percent) from FY 2012 results. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

General Fund business tax receipts for FY 2014 of $6.2 billion are projected to increase $173 million (2.9 percent) from the prior year.

BUSINESS TAXES CHANGE FROM ENACTED BUDGET FORECAST (millions of dollars)								
	FY 2013				FY 2014			
	Enacted Budget	First Quarter	$ Change	% Change	Enacted Budget	First Quarter	$ Change	% Change
General Fund	**6,038**	**6,035**	**(3)**	**0.0%**	**6,208**	**6,208**	**0**	**0.0%**
Corporate Franchise Tax	2,905	2,737	(168)	-5.8%	3,009	2,931	(78)	-2.6%
Corporation & Utilities Tax	652	684	32	4.9%	696	662	(34)	-4.9%
Insurance Tax	1,322	1,322	0	0.0%	1,373	1,373	0	0.0%
Bank Tax	1,159	1,292	133	11.5%	1,130	1,242	112	9.9%
State/All Funds	**8,229**	**8,226**	**(3)**	**0.0%**	**8,463**	**8,463**	**0**	**0.0%**
Corporate Franchise Tax	3,360	3,172	(188)	-5.6%	3,511	3,413	(98)	-2.8%
Corporation & Utilities Tax	847	879	32	3.8%	894	860	(34)	-3.8%
Insurance Tax	1,479	1,479	0	0.0%	1,539	1,539	0	0.0%
Bank Tax	1,381	1,534	153	11.1%	1,319	1,451	132	10.0%
Petroleum Business Tax	1,162	1,162	0	0.0%	1,200	1,200	0	0.0%

Compared to the AIS, FY 2013 All Funds business tax receipts are lower by $3 million. This change is the result of the end-of-session legislation that created a corporate franchise tax credit for beer produced in New York. The reduction in corporate franchise tax receipts and the increase in bank tax receipts are driven by trends in year-to-date receipts. The increase in the corporation and utilities tax receipts reflects the movement of the settlement of the large prior year telecommunication refund from FY 2013 to FY 2014. Both the insurance tax and the petroleum business tax are unchanged from the AIS.

Compared to the AIS, FY 2014 All Funds business tax receipts are unchanged. The corporation franchise tax and the bank tax reflect the changes made to FY 2013. The corporation and utilities tax reflect the settlement of the large prior year telecommunication refund. The insurance tax and the petroleum business tax are unchanged from the AIS.

BUSINESS TAXES (millions of dollars)					
	FY 2014 Projected	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change
General Fund	**6,208**	**5,686**	**(522)**	**6,237**	**551**
Corporate Franchise Tax	2,931	2,255	(676)	2,628	373
Corporation & Utilities Tax	662	712	50	732	20
Insurance Tax	1,373	1,416	43	1,498	82
Bank Tax	1,242	1,303	61	1,379	76
Petroleum Business Tax	0	0	0	0	0
State/All Funds	**8,463**	**7,997**	**(466)**	**8,609**	**612**
Corporate Franchise Tax	3,413	2,770	(643)	3,171	401
Corporation & Utilities Tax	860	912	52	938	26
Insurance Tax	1,539	1,587	48	1,676	89
Bank Tax	1,451	1,522	71	1,612	90
Petroleum Business Tax	1,200	1,206	6	1,212	6

All Funds business tax receipts for FY 2015 and FY 2016 reflect projected trends in corporate profits, taxable insurance premiums, electric utility consumption and prices, the consumption of telecommunications services, and automobile fuel consumption and fuel prices. Business tax receipts are projected to decline to $8 billion (5.5 percent) in FY 2015 and increase to $8.6 billion (7.7 percent) in FY 2016. The decline in FY 2015 reflects the first year of the repayment of deferred tax credits to taxpayers. General Fund business tax receipts over this period are expected to decline to $5.7 billion (8.4 percent) in FY 2015 and increase to $6.2 billion (9.7 percent) in FY 2016.

OTHER TAXES

OTHER TAXES (millions of dollars)							
	FY 2012 Results	FY 2013 Estimated	Annual $ Change	Annual % Change	FY 2014 Projected	Annual $ Change	Annual % Change
General Fund[1]	**1,096**	**1,146**	**50**	**4.6%**	**1,139**	**(7)**	**-0.6%**
Estate Tax	1,078	1,127	49	4.5%	1,120	(7)	-0.6%
Gift Tax	0	0	0	NA	0	0	0.0%
Real Property Gains Tax	0	0	0	NA	0	0	0.0%
Pari-Mutuel Taxes	17	18	1	5.9%	18	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State/All Funds	**1,706**	**1,831**	**125**	**7.3%**	**1,874**	**43**	**2.3%**
Estate Tax	1,078	1,127	49	4.5%	1,120	(7)	-0.6%
Gift Tax	0	0	0	NA	0	0	0.0%
Real Property Gains Tax	0	0	0	NA	0	0	0.0%
Real Estate Transfer Tax	610	685	75	12.3%	735	50	7.3%
Pari-Mutuel Taxes	17	18	1	5.9%	18	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

[1] Excludes Transfers.

All Funds other tax receipts for FY 2013 are estimated to be approximately $1.8 billion, an increase of $125 million (7.3 percent) from FY 2012 receipts, primarily reflecting increases in estate tax receipts of $49 million (4.5 percent) and real estate transfer tax collections of $75 million (12.3 percent) as a result of improving conditions in the New York real estate market. General Fund other tax receipts are expected to total $1,146 million in FY 2013, an increase of $50 million (4.6 percent) due primarily to the increase in estate tax collections mentioned above.

All Funds other tax receipts for FY 2014 are projected to be nearly $1.9 billion, up $43 million (2.3 percent) from FY 2013 reflecting stability in the estate tax and modest growth in the real estate transfer tax. General Fund other tax receipts are expected to total $1,139 million, a marginal change from the FY 2013 total.

OTHER TAXES CHANGE FROM ENACTED BUDGET FORECAST (millions of dollars)	FY 2013				FY 2014			
	Enacted Budget	First Quarter	$ Change	% Change	Enacted Budget	First Quarter	$ Change	% Change
General Fund[1]	**1,144**	**1,146**	**2**	**0.2%**	**1,137**	**1,139**	**2**	**0.2%**
Estate Tax	1,127	1,127	0	0.0%	1,120	1,120	0	0.0%
Gift Tax	0	0	0	0.0%	0	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0	0.0%
Pari-Mutuel Taxes	16	18	2	12.5%	16	18	2	12.5%
All Other Taxes	1	1	0	0.0%	1	1	0	0.0%
State/All Funds	**1,804**	**1,831**	**27**	**1.5%**	**1,847**	**1,874**	**27**	**1.5%**
Estate Tax	1,127	1,127	0	0.0%	1,120	1,120	0	0.0%
Gift Tax	0	0	0	0.0%	0	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0	0.0%
Real Estate Transfer Tax	660	685	25	3.8%	710	735	25	3.5%
Pari-Mutuel Taxes	16	18	2	12.5%	16	18	2	12.5%
All Other Taxes	1	1	0	0.0%	1	1	0	0.0%

[1] Excludes Transfers.

General Fund other tax receipts for FY 2013 have been revised upward by $2 million from the AIS. Pari-mutuel taxes are expected to grow as a result of increased NYRA on-track handle, due to the NYC OTB closures more than previously anticipated.

Projections for FY 2013 and FY 2014 for the estate tax, gift tax and real property gains tax and boxing/wrestling tax are unchanged from the AIS. The gift tax and real property gains tax have been repealed, but small amounts of revenue are at times generated through audits.

Real estate transfer tax collections for FY 2013 and FY 2014 are now estimated to be $25 million higher than the Enacted Budget Financial Plan forecast in the AIS as a result of stronger than anticipated year-to-date collections. However, even as commercial markets in Manhattan remain vibrant and certain residential markets, especially in Brooklyn, are demonstrating strength in both pricing and transaction volume, the potential for continuing declines in existing home values, and weakness in the luxury residential market, are continuing risks to the forecast.

OTHER TAXES (millions of dollars)					
	FY 2014 Projected	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change
General Fund[1]	**1,139**	**1,224**	**85**	**1,224**	**0**
Estate Tax	1,120	1,205	85	1,205	0
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Pari-Mutuel Taxes	18	18	0	18	0
All Other Taxes	1	1	0	1	0
State/All Funds	**1,874**	**2,029**	**155**	**2,104**	**75**
Estate Tax	1,120	1,205	85	1,205	0
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Real Estate Transfer Tax	735	805	70	880	75
Pari-Mutuel Taxes	18	18	0	18	0
All Other Taxes	1	1	0	1	0

[1] Excludes Transfers.

The FY 2015 All Funds receipts projection for other taxes is over $2 billion, an increase of $155 million (8.3 percent) from FY 2014 receipts. Growth in the estate tax from expected increases in household net worth is complemented by projected receipts growth from the real estate transfer tax due to the continued stabilization in the residential and commercial markets.

The FY 2016 All Funds receipts projection for other taxes is $2.1 billion, an increase of $75 million (3.7 percent) from FY 2015 receipts. The forecast for FY 2016 reflects growth in household net worth as well as in the value of real property transfers.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars)	FY 2012 Results	FY 2013 Estimated	Annual $ Change	Annual % Change	FY 2014 Projected	Annual $ Change	Annual % Change
General Fund	**3,222**	**3,414**	**192**	**6.0%**	**2,881**	**(533)**	**-15.6%**
Miscellaneous Receipts	3,162	3,354	192	6.1%	2,879	(475)	-14.2%
Federal Grants	60	60	0	0.0%	2	(58)	-96.7%
State Funds	**23,814**	**24,462**	**648**	**2.7%**	**24,383**	**(79)**	**-0.3%**
Miscellaneous Receipts	23,669	24,317	648	2.7%	24,296	(21)	-0.1%
Federal Grants	145	145	0	0.0%	87	(58)	-40.0%
All Funds	**68,448**	**67,136**	**(1,312)**	**-1.9%**	**68,668**	**1,532**	**2.3%**
Miscellaneous Receipts	23,837	24,503	666	2.8%	24,482	(21)	-0.1%
Federal Grants	44,611	42,633	(1,978)	-4.4%	44,186	1,553	3.6%

All Funds miscellaneous receipts include moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are projected to total $24.5 billion in FY 2013, an annual increase of $666 million from FY 2012 results, which is mainly due to projected growth in HCRA fund receipts and the receipt of civil recoveries made by district attorneys.

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 and Federal allocations. While the timing of Federal receipts can sometimes be difficult to predict, DOB typically plans that Federal reimbursement will be received in the State fiscal year in which spending occurs. All Funds Federal grants are projected to total $42.6 billion in FY 2013, a decrease of $2 billion from FY 2012, which largely reflects the expiration of certain Federal ARRA moneys.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS: CHANGE FROM ENACTED BUDGET FORECAST (millions of dollars)	FY 2013				FY 2014			
	Enacted Budget	First Quarter	$ Change	% Change	Enacted Budget	First Quarter	$ Change	% Change
General Fund[1]	**3,289**	**3,414**	**125**	**3.8%**	**2,831**	**2,881**	**50**	**1.8%**
Miscellaneous Receipts	3,229	3,354	125	3.9%	2,829	2,879	50	1.8%
Federal Grants	60	60	0	0.0%	2	2	0	0.0%
State Funds	**24,228**	**24,462**	**234**	**1.0%**	**24,371**	**24,383**	**12**	**0.0%**
Miscellaneous Receipts	24,083	24,317	234	1.0%	24,284	24,296	12	0.0%
Federal Grants	145	145	0	0.0%	87	87	0	0.0%
All Funds	**66,902**	**67,136**	**234**	**0.3%**	**68,656**	**68,668**	**12**	**0.0%**
Miscellaneous Receipts	24,269	24,503	234	1.0%	24,470	24,482	12	0.0%
Federal Grants	42,633	42,633	0	0.0%	44,186	44,186	0	0.0%

[1] Excludes Transfers.

All Funds miscellaneous receipts have been revised upward by $234 million in FY 2013, which reflects expectations of additional one-time resources from settlement proceeds of district attorneys ($75 million), additional resources dedicated to the Highway and Bridge Trust Fund ($83 million), additional resources from general reimbursements ($50 million), and additional VLT receipts ($26 million). Receipts increase by $12 million in FY 2014 from the Enacted Budget Financial Plan amount, which reflects expectations of additional resources from general reimbursements ($50 million), to be partly offset by a decline in resources dedicated to the Highway and Bridge Trust Fund ($38 million).

Federal grants projections for FY 2013 and FY 2014 have not been revised since the AIS.

General Fund miscellaneous receipts in FY 2013 have been revised upward by $125 million since the AIS, and in FY 2014 have been revised upward by $50 million, mainly reflecting year-to-date receipts activity.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars)	FY 2014 Projected	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change
General Fund	**2,881**	**2,297**	**(584)**	**2,389**	**92**
Miscellaneous Receipts	2,879	2,297	(582)	2,389	92
Federal Grants	2	0	(2)	0	0
State Funds	**24,383**	**23,929**	**(454)**	**24,121**	**192**
Miscellaneous Receipts	24,296	23,844	(452)	24,036	192
Federal Grants	87	85	(2)	85	0
All Funds	**68,668**	**71,285**	**2,617**	**73,347**	**2,062**
Miscellaneous Receipts	24,482	24,030	(452)	24,222	192
Federal Grants	44,186	47,255	3,069	49,125	1,870

All Funds miscellaneous receipts are projected to decline by $452 million in FY 2015, driven by the expiration of the temporary increase to 18-a utility assessments. Miscellaneous receipts increase by $192 million in FY 2016.

Annual Federal grants growth of $3.1 billion in FY 2015, and $1.9 billion in FY 2016, is primarily due to growth in Federal Medicaid spending.

General Fund miscellaneous receipts and Federal grants collections for FY 2015 and FY 2016 are projected to be $2.3 billion and nearly $2.4 billion respectively.

DISBURSEMENTS

General Fund disbursements in FY 2013 are estimated to total $59.2 billion, an increase of $2.7 billion (4.8 percent) over FY 2012 results. State Operating Funds disbursements for FY 2013 are estimated to total $89.4 billion, an increase of $2.2 billion (2.6 percent) over FY 2012. The growth in disbursements from the Enacted Budget Financial Plan is largely due to retroactive payments under recent labor settlements and litigation expenses. Excluding these extraordinary expenses for costs incurred in prior periods, State Operating Funds spending is expected to increase by approximately 2.1% from FY 2012 results.

The multi-year disbursements projections take into account agency staffing levels, program caseloads, funding 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 3.5 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 will be triggered if the Federal government does not enact an alternative deficit reduction plan.

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.

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 $58.8 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 Results	**FY 2013 Updated**	**FY 2014 Projected**	**FY 2015 Projected**	**FY 2016 Projected**
Medicaid					
Medicaid Caseload[1]	4,535,463	4,628,505	4,856,565	5,324,544	5,395,005
Family Health Plus Caseload	427,066	453,355	479,644	505,932	532,221
Child Health Plus Caseload	418,241	436,241	454,241	472,241	490,241
State Takeover of County/NYC Costs ($000)	$1,544	$1,467	$1,846	$2,458	$3,201
- Family Health Plus	$428	$515	$597	$682	$775
- Medicaid	$1,116	$952	$1,249	$1,776	$2,426
Education					
School Aid (School Year) ($000)	$19,542	$20,347	$21,059	$21,901	$22,908
Education Personal Income Growth Index	N/A	4.1	3.5	4.0	4.6
Higher Education					
Public Higher Education Enrollment (FTEs)	576,300	577,664	578,242	578,820	579,399
Tuition Assistance Program Recipients	309,334	310,633	310,633	310,633	310,633
Welfare					
Family Assistance Caseload	385,180	374,822	363,077	352,880	343,935
Single Adult/No Children Caseload	180,338	178,207	176,780	175,786	175,622
Mental Hygiene					
Total Mental Hygiene Community Beds	87,984	91,793	96,330	100,588	101,393
- OMH Community Beds	36,179	39,431	43,097	46,616	47,366
- OPWDD Community Beds	39,101	39,621	40,404	41,077	41,077
- OASAS Community Beds	12,704	12,741	12,829	12,895	12,950
Prison Population (Corrections)	55,944	55,900	55,900	55,900	55,900

[1] Reflects estimated FY 2012 results.

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 2013 Enacted Budget included a two-year appropriation and continues the change to tie future increases in School Aid to the rate of growth in New York State personal income. School Aid funding will increase by $805 million (4.1 percent) in the 2012-13 school year, and by an estimated $712 million (3.5 percent) in the 2013-14 school year.

Over the multi-year financial plan, School Aid funding is expected to 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 performance 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) and certain other aid categories 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, phase-in increases in Foundation Aid or restoration of the GEA.

For the 2012-13 school year, this $805 million allowable increase includes $243 million in growth in expense-based aids and other miscellaneous aid categories under current law, a $400 million GEA restoration, a $112 million increase in Foundation Aid, and $50 million to support the first of three annual payments for the first round of performance grants. A second, expanded round of performance grants will be awarded in the 2012-13 school year from $75 million in annual funding outside the school aid growth limit.

As of the Updated Financial Plan, School Aid is projected to increase by $712 million in the 2013-14 school year and $842 million in 2014-15. School Aid is projected to reach an annual total of $22.9 billion in the 2015-16 school year.

TOTAL SCHOOL AID - SCHOOL YEAR BASIS (JULY 1 - JUNE 30)
(millions of dollars)

SY 2012	SY 2013	Change	SY 2014	Change	SY 2015	Change	SY 2016	Change
$19,542	$20,347	$805	$21,059	$712	$21,901	$842	$22,908	$1,007
		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.

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

	FY 2012 Results	FY 2013 Updated	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**19,662**	**20,056**	**2.0%**	**20,911**	**4.3%**	**21,725**	**3.9%**	**22,671**	**4.4%**
General Fund Local Assistance	16,778	17,003	1.3%	17,832	4.9%	18,641	4.5%	19,585	5.1%
Core Lottery Aid	2,147	2,187	1.9%	2,200	0.6%	2,195	-0.2%	2,197	0.1%
VLT Lottery Aid	682	847	24.2%	879	3.8%	889	1.1%	889	0.0%
General Fund Lottery/VLT Guarantee	55	19	-65.5%	0	-100.0%	0	0.0%	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 is 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 over $3 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 (57 percent), the enhanced school property tax exemption for senior citizen homeowners with income under $79,050 (25 percent), and a flat refundable credit and rate reduction for New York City resident personal-income taxpayers (18 percent).

SCHOOL TAX RELIEF (STAR)
(millions of dollars)

	FY 2012 Results	FY 2013 Updated	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**3,233**	**3,276**	**1.3%**	**3,459**	**5.6%**	**3,642**	**5.3%**	**3,744**	**2.8%**
Basic Exemption	1,856	1,859	0.2%	1,986	6.8%	2,125	7.0%	2,188	3.0%
Enhanced (Seniors)	807	829	2.7%	862	4.0%	898	4.2%	925	3.0%
New York City PIT	570	588	3.2%	611	3.9%	619	1.3%	631	1.9%

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 includes a new policy whereby the Department of Taxation and Finance will instruct local assessors to withhold the STAR exemption benefit from taxpayers who have a State-imposed and State-administered tax liability of $4,500 or more, and 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 49 professions. FY 2013 has been updated to reflect the timing of payments previously allocated in FY 2012.

Spending for special education is expected to increase as program costs and enrollment rise. In FY 2012, school districts financed the costs associated with schools for the blind and deaf in the first instance and will be reimbursed by the State in 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.

OTHER EDUCATION
(millions of dollars)

	FY 2012 Results	FY 2013 Updated	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**1,698**	**1,972**	**16.1%**	**1,999**	**1.4%**	**2,065**	**3.3%**	**2,141**	**3.7%**
Special Education	1,176	1,358	15.5%	1,456	7.2%	1,529	5.0%	1,604	4.9%
All Other Education	522	614	17.6%	543	-11.6%	536	-1.3%	537	0.2%

HIGHER EDUCATION

Local assistance for higher education spending includes funding for CUNY, SUNY and HESC. The State provides reimbursements to New York City for costs associated with 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. HESC administers the TAP program that provides awards to income-eligible students and provides centralized processing for other student financial aid programs. The financial aid programs that the Corporation administers are funded by the State and the Federal government.

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.

HIGHER EDUCATION
(millions of dollars)

	FY 2012 Results	FY 2013 Updated	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**2,608**	**2,618**	**0.4%**	**2,812**	**7.4%**	**2,888**	**2.7%**	**2,967**	**2.7%**
City University	**1,203**	**1,220**	**1.4%**	**1,342**	**10.0%**	**1,405**	**4.7%**	**1,472**	**4.8%**
Operating Aid to NYC (Senior Colleges)	1,024	1,025	0.1%	1,149	12.1%	1,212	5.5%	1,279	5.5%
Community College Aid	178	194	9.0%	193	-0.5%	193	0.0%	193	0.0%
Community Projects	1	1	0.0%	0	-100.0%	0	0.0%	0	0.0%
Higher Education Services	**924**	**936**	**1.3%**	**1,001**	**6.9%**	**1,014**	**1.3%**	**1,026**	**1.2%**
Tuition Assistance Program	873	877	0.5%	935	6.6%	940	0.5%	946	0.6%
Aid for Part Time Study	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
Scholarships/Awards	39	47	20.5%	54	14.9%	62	14.8%	68	9.7%
State University	**481**	**462**	**-4.0%**	**469**	**1.5%**	**469**	**0.0%**	**469**	**0.0%**
Community College Aid[1]	444	457	2.9%	465	1.8%	465	0.0%	465	0.0%
Hospital Subsidy[2]	32	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Other	5	5	0.0%	4	-20.0%	4	0.0%	4	0.0%

[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, and increased support for the TAP program, which 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.

The Enacted Budget Financial Plan as reflected in the AIS reflects continuation of the Medicaid spending cap enacted in FY 2012, and authorizes funding consistent with its provisions. The cap is based on the ten-year average change in the medical component of the CPI. 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, which were set to expire at the end of FY 2013, have been extended through FY 2014, pursuant to authorization included in the FY 2013 Enacted Budget. The cap itself remains in place and the Financial Plan assumes that statutory authority will be extended in subsequent years.

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

	FY 2012 Results	FY 2013 Updated	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Department of Health:					
State Share Without FMAP	16,000	15,606	16,513	17,049	17,895
Enhanced FMAP	(703)	254	0	0	0
DOH State Share With FMAP	15,297	15,860	16,513	17,049	17,895
Annual $ Change - DOH Only		563	653	536	846
Annual % Change - DOH Only		3.7%	4.1%	3.2%	5.0%
Other State Agencies:					
Mental Hygiene	5,402	5,819	6,209	6,511	6,873
Education	64	0	0	0	0
Foster Care	113	93	117	122	127
Corrections	0	12	12	12	13
State Operations - Contractual Expenses [2]	16	52	56	55	55
Total State Share (All Agencies)	**20,892**	**21,836**	**22,907**	**23,749**	**24,963**
Annual $ Change - Total State Share		944	1,071	842	1,214
Annual % Change - Total State Share		4.5%	4.9%	3.7%	5.1%

[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.

Factors affecting Medicaid spending over the Updated Financial Plan period include Medicaid enrollment, costs of provider health care services (particularly in managed care), levels of service utilization and the expiration of enhanced Federal aid. The number of Medicaid recipients, including FHP, is expected to total approximately 5.1 million at the end of FY 2013, an increase of 2.4 percent from the FY 2012 caseload. The expiration of the enhanced FMAP contributes to an increase in State-share spending of nearly $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 Enacted Budget includes authorization 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 Enacted Budget also provides Medicaid spending relief for all counties and New York City by reducing the growth in local Medicaid payments. These changes are expected to further provide fiscal and administrative relief to local governments, consistent with other legislation the State has enacted in recent years to reduce the tax burden on its citizens.

The State share of DOH Medicaid spending is financed from both the General Fund, as well as special revenue funding primarily through HCRA. The chart below provides information on the financing sources for State Medicaid spending.

DEPARTMENT OF HEALTH MEDICAID
(millions of dollars)

	FY 2012 Results	FY 2013 Updated	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
State Operating Funds (Before FMAP) [1]	**16,000**	**15,606**	**-2.5%**	**16,513**	**5.8%**	**17,049**	**3.2%**	**17,895**	**5.0%**
Enhanced FMAP -- State Share [2]	(703)	254	-136.1%	0	-100.0%	0	0.0%	0	0.0%
State Operating Funds (After FMAP)	**15,297**	**15,860**	**3.7%**	**16,513**	**4.1%**	**17,049**	**3.2%**	**17,895**	**5.0%**
Total General Fund	10,301	10,604	2.9%	11,158	5.2%	11,454	2.7%	12,332	7.7%
Other State Funds Support	4,996	5,256	5.2%	5,355	1.9%	5,595	4.5%	5,563	-0.6%
HCRA Financing	3,392	3,672	8.3%	3,778	2.9%	4,018	6.4%	3,986	-0.8%
Indigent Care Support	777	792	1.9%	792	0.0%	792	0.0%	792	0.0%
Provider Assessment Revenue	827	792	-4.2%	785	-0.9%	785	0.0%	785	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.

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.

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 following section entitled "HCRA Financial Plan".

PUBLIC HEALTH AND AGING (millions of dollars)									
	FY 2012 Results	FY 2013 Updated	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**2,104**	**2,041**	**-3.0%**	**2,219**	**8.7%**	**2,315**	**4.3%**	**2,072**	**-10.5%**
Public Health	**1,992**	**1,925**	**-3.4%**	**2,101**	**9.1%**	**2,190**	**4.2%**	**1,940**	**-11.4%**
Child Health Plus	344	334	-2.9%	369	10.5%	395	7.0%	312	-21.0%
General Public Health Work	247	247	0.0%	270	9.3%	283	4.8%	288	1.8%
EPIC	169	151	-10.7%	231	53.0%	255	10.4%	267	4.7%
Early Intervention	167	164	-1.8%	164	0.0%	167	1.8%	171	2.4%
HCRA Program Account	435	452	3.9%	476	5.3%	478	0.4%	478	0.0%
F-SHRP	234	175	-25.2%	205	17.1%	205	0.0%	0	-100.0%
All Other	396	402	1.5%	386	-4.0%	407	5.4%	424	4.2%
Aging	**112**	**116**	**3.6%**	**118**	**1.7%**	**125**	**5.9%**	**132**	**5.6%**

Increased State support for the EPIC program authorized in the FY 2013 Enacted Budget, reinstituting more expansive coverage of Medicare Part D co-payments and co-insurance for enrollees outside of the existing coverage gap, is expected to drive a substantial portion of growth in the outyears of the Financial Plan. The spending increases related to EPIC coverage is partly financed by additional revenue generated from rebates received from drug manufacturers. Other spending growth over the Updated Financial Plan period largely reflects costs associated with increased enrollment in the CHP program, as well as increased spending for GPHW, consistent with patterns in claiming from counties.

The decline in FY 2013 spending is due in large part to decreased Federal aid. The F-SHRP program 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 temporarily decline in FY 2013, since the more expansive coverage authorized in the FY 2013 Enacted Budget does not take effect until January 1, 2013. After FY 2014, EPIC coverage is expected to stabilize, while spending is projected to increase due to the rising costs of prescription medication.

HCRA FINANCIAL PLAN

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 continue to finance new health care programs, including FHP, and provide additional funding for the expansion of existing programs such as CHP.

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 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 reauthorization 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 supported by the General Fund. Conversely, any shortfall in HCRA is expected to be financed by the General Fund.

HCRA FINANCIAL PLAN FY 2012 THROUGH FY 2016
(millions of dollars)

	FY 2012 Results	FY 2013 Updated	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Opening Balance	**159**	**3**	**0**	**0**	**0**
Total Receipts	**5,317**	**5,921**	**6,184**	**6,303**	**6,184**
Surcharges	2,711	3,016	3,171	3,263	3,142
Covered Lives Assessment	1,018	1,045	1,045	1,045	1,045
Cigarette Tax Revenue	1,162	1,146	1,123	1,101	1,079
Conversion Proceeds	0	250	300	300	300
Hospital Assessments	367	394	417	444	469
NYC Cigarette Tax Transfer/Other	59	70	128	150	149
Total Disbursements	**5,473**	**5,924**	**6,184**	**6,303**	**6,184**
Medicaid Assistance Account	3,398	3,679	3,785	4,025	3,993
Medicaid Costs	*2,178*	*2,290*	*2,464*	*2,703*	2,672
Family Health Plus	*602*	*690*	*657*	*657*	657
Workforce Recruitment & Retention	*184*	*211*	*197*	*197*	197
All Other	*434*	*488*	*467*	*468*	467
HCRA Program Account	461	476	499	501	501
Hospital Indigent Care	785	792	792	792	792
Elderly Pharmaceutical Insurance Coverage	102	162	246	270	282
Child Health Plus	350	342	377	403	320
Public Health Programs	137	129	129	129	129
All Other	240	344	356	183	167
Annual Operating Surplus/(Deficit)	**(156)**	**(3)**	**0**	**0**	**0**
Closing Balance	**3**	**0**	**0**	**0**	**0**

MENTAL HYGIENE

The Department of Mental Hygiene is comprised of four independent agencies, OMH, OPWDD, OASAS, and DDPC, which is funded entirely by Federal aid, 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 reimbursements 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
(millions of dollars)

	FY 2012 Results	FY 2013 Updated	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**3,756**	**3,644**	**-3.0%**	**4,051**	**11.2%**	**4,312**	**6.4%**	**4,504**	**4.5%**
People with Developmental Disabilities	**2,324**	**2,235**	**-3.8%**	**2,461**	**10.1%**	**2,571**	**4.5%**	**2,642**	**2.8%**
Residential Services	1,600	1,536	-4.0%	1,700	10.7%	1,779	4.6%	1,831	2.9%
Day Programs	613	588	-4.1%	650	10.5%	681	4.8%	700	2.8%
Clinic	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Other	86	86	0.0%	86	0.0%	86	0.0%	86	0.0%
Mental Health	**1,124**	**1,094**	**-2.7%**	**1,251**	**14.4%**	**1,385**	**10.7%**	**1,490**	**7.6%**
Adult Local Services	938	913	-2.7%	1,046	14.6%	1,158	10.7%	1,246	7.6%
Children Local Services	186	181	-2.7%	205	13.3%	227	10.7%	244	7.5%
Alcohol and Substance Abuse	**307**	**314**	**2.3%**	**338**	**7.6%**	**355**	**5.0%**	**371**	**4.5%**
Outpatient/Methadone	131	135	3.1%	142	5.2%	148	4.2%	155	4.7%
Residential	112	116	3.6%	125	7.8%	132	5.6%	139	5.3%
Prevention	32	33	3.1%	38	15.2%	40	5.3%	41	2.5%
Crisis	17	17	0.0%	19	11.8%	20	5.3%	21	5.0%
Program Support	8	8	0.0%	9	12.5%	10	11.1%	10	0.0%
LGU Administration	7	5	-28.6%	5	0.0%	5	0.0%	5	0.0%
CQCAPD	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**

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 4.6 percent annually. This growth is attributable to increases in the projected State share of Medicaid costs and projected expansion of the 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 Updated 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.

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
(millions of dollars)

	FY 2012 Results	FY 2013 Updated	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**1,413**	**1,488**	**5.3%**	**1,543**	**3.7%**	**1,441**	**-6.6%**	**1,469**	**1.9%**
SSI	730	741	1.5%	766	3.4%	664	-13.3%	691	4.1%
Public Assistance Benefits[1]	513	620	20.9%	657	6.0%	657	0.0%	657	0.0%
Welfare Initiatives	24	19	-20.8%	18	-5.3%	18	0.0%	18	0.0%
All Other	146	108	-26.0%	102	-5.6%	102	0.0%	103	1.0%

[1] 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 FY 2012 level. In the Safety Net Families program, an average of 119,791 families are expected to receive aid in FY 2013, an annual decrease of 2.9 percent. The caseload for single adults/childless couples supported through the Safety Net Families program is projected at 178,207, an annual 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 (millions of dollars)	FY 2012 Results	FY 2013 Updated	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**1,604**	**1,543**	**-3.8%**	**1,891**	**22.6%**	**1,990**	**5.2%**	**2,094**	**5.2%**
Child Welfare Service	446	330	-26.0%	463	40.3%	508	9.7%	556	9.4%
Foster Care Block Grant	436	436	0.0%	464	6.4%	492	6.0%	521	5.9%
Adoption	181	175	-3.3%	182	4.0%	190	4.4%	199	4.7%
Day Care	143	220	53.8%	355	61.4%	354	-0.3%	354	0.0%
Youth Programs	109	125	14.7%	150	20.0%	155	3.3%	156	0.6%
Medicaid	113	93	-17.7%	117	25.8%	122	4.3%	127	4.1%
Committees on Special Education	64	39	-39.1%	42	7.7%	46	9.5%	51	10.9%
Adult Protective/Domestic Violenc	33	34	3.0%	39	14.7%	44	12.8%	51	15.9%
All Other	79	91	15.2%	79	-13.2%	79	0.0%	79	0.0%

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.

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 between 4 percent and 10 percent each year from FY 2014 to FY 2016. Legislation enacted in December 2011 eliminated the MTA payroll tax for all elementary and secondary schools as well as for certain small businesses. The State is compensating the MTA for the decrease in receipts from the December 2011 tax reduction and is expected to continue to compensate the MTA over the multi-year Financial Plan.

TRANSPORTATION (millions of dollars)	FY 2012 Results	FY 2013 Updated	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**4,230**	**4,378**	**3.5%**	**4,556**	**4.1%**	**4,634**	**1.7%**	**4,730**	**2.1%**
Mass Transit Operating Aid:	1,784	1,907	6.9%	1,907	0.0%	1,907	0.0%	1,907	0.0%
Metro Mass Transit Aid	1,645	1,762	7.1%	1,762	0.0%	1,762	0.0%	1,762	0.0%
Public Transit Aid	87	93	6.9%	93	0.0%	93	0.0%	93	0.0%
18-B General Fund Aid	27	27	0.0%	27	0.0%	27	0.0%	27	0.0%
School Fare	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Mobility Tax and MTA Aid Trust	1,725	1,742	1.0%	1,915	9.9%	1,991	4.0%	2,085	4.7%
Dedicated Mass Transit	674	683	1.3%	689	0.9%	691	0.3%	693	0.3%
AMTAP	45	45	0.0%	45	0.0%	45	0.0%	45	0.0%
All Other	2	1	-50.0%	0	-100.0%	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.

ALL OTHER LOCAL ASSISTANCE SPENDING

LOCAL GOVERNMENT ASSISTANCE
(millions of dollars)

	FY 2012 Results	FY 2013 Updated	Annual % Change	FY 2014 Projected	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change
Total State Operating Funds	**754**	**777**	**3.1%**	**789**	**1.5%**	**801**	**1.5%**	**803**	**0.2%**
AIM:									
Big Four Cities	429	429	0.0%	429	0.0%	429	0.0%	429	0.0%
Other Cities	218	218	0.0%	218	0.0%	218	0.0%	218	0.0%
Towns and Villages	68	68	0.0%	68	0.0%	68	0.0%	68	0.0%
Efficiency Incentives	6	25	316.7%	42	68.0%	58	38.1%	60	3.4%
All Other Local Aid	33	37	12.1%	32	-13.5%	28	-12.5%	28	0.0%

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 Financial Plan period.

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 (i.e., 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 (i.e., 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).

Selected assumptions used in preparing the spending projections for agency operations are summarized in the following table.

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

	FY 2012 Results	FY 2013 Updated	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Negotiated Base Salary Increases [1]					
CSEA/NYSCOPBA/Council 82/NYSPBA	0	0	0	2%	2%
PEF	0	0	0	2%	TBD
State Workforce	119,579	121,841	122,142	122,142	122,142
ERS Pension Contribution Rate[2]					
Before Amortization	16.5%	19.4%	21.6%	23.1%	20.6%
After Amortization	10.5%	11.5%	12.5%	13.5%	14.5%
PFRS Pension Contribution Rate					
Before Amortization	22.3%	26.9%	29.2%	31.3%	28.5%
After Amortization	18.5%	19.5%	20.5%	21.5%	22.5%
Employee/Retiree Health Insurance Growth Rates	6.0%	-2.7%	7.2%	8.3%	8.3%
PS/Fringe as % of Receipts (All Funds Basis)	14.4%	14.6%	14.7%	14.9%	14.2%

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

[2] As Percent of Salary.

Growth in agency operating spending over the multiple years of the Updated 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.

Recently settled collective bargaining agreements with NYSCOPBA and Council 82 are reflected in the personal service costs below and include retroactive salary increases that will be paid in FY 2013 for prior years.

In most years, there are 26 bi-weekly pay periods. However, in FY 2016 there is one additional State institutional payroll, therefore an “extra” 27th pay period results in higher spending. In addition, in FY 2016 the State will begin repayment to State employees for portions of the Deficit Reduction program taken during FY 2012 and FY 2013 as part of workforce savings initiatives.

STATE OPERATING FUNDS - AGENCY OPERATIONS (millions of dollars)									
	FY 2012 Results	FY 2013 Updated	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Subject to Direct Executive Control	**9,696**	**9,723**	**0.3%**	**9,884**	**1.7%**	**10,138**	**2.6%**	**10,575**	**4.3%**
Mental Hygiene	2,941	2,985	1.5%	3,088	3.5%	3,197	3.5%	3,350	4.8%
Corrections and Community Supervision	2,472	2,704	9.4%	2,578	-4.7%	2,649	2.8%	2,806	5.9%
State Police	611	644	5.4%	650	0.9%	655	0.8%	668	2.0%
Public Health	540	556	3.0%	607	9.2%	629	3.6%	635	1.0%
Tax and Finance	383	393	2.6%	395	0.5%	406	2.8%	413	1.7%
Children and Family Services	293	316	7.8%	315	-0.3%	301	-4.4%	298	-1.0%
Environmental Conservation	245	235	-4.1%	235	0.0%	236	0.4%	239	1.3%
Financial Services	210	202	-3.8%	207	2.5%	209	1.0%	212	1.4%
Temporary and Disability Assistance	150	203	35.3%	205	1.0%	216	5.4%	214	-0.9%
Parks, Recreation and Historic Preservation	183	166	-9.3%	167	0.6%	169	1.2%	171	1.2%
Workers' Compensation Board	158	151	-4.4%	150	-0.7%	153	2.0%	156	2.0%
Lottery	140	161	15.0%	155	-3.7%	159	2.6%	159	0.0%
General Services	120	154	28.3%	138	-10.4%	133	-3.6%	136	2.3%
Collective Bargaining Adjustment	102	(236)	-331.4%	0	-100.0%	0	0.0%	0	0.0%
All Other	1,148	1,089	-5.1%	994	-8.7%	1,026	3.2%	1,118	9.0%
University System	**5,538**	**5,627**	**1.6%**	**5,736**	**1.9%**	**5,882**	**2.5%**	**6,023**	**2.4%**
State University	5,430	5,524	1.7%	5,631	1.9%	5,774	2.5%	5,913	2.4%
City University	108	103	-4.6%	105	1.9%	108	2.9%	110	1.9%
Independent Agencies	**295**	**304**	**3.1%**	**305**	**0.3%**	**313**	**2.6%**	**321**	**2.6%**
Law	160	165	3.1%	163	-1.2%	167	2.5%	171	2.4%
Audit & Control	135	139	3.0%	142	2.2%	146	2.8%	150	2.7%
Total, excluding Legislature and Judiciary	**15,529**	**15,654**	**0.8%**	**15,925**	**1.7%**	**16,333**	**2.6%**	**16,919**	**3.6%**
Judiciary	1,827	1,856	1.6%	1,914	3.1%	2,000	4.5%	2,095	4.8%
Legislature	197	219	11.2%	221	0.9%	224	1.4%	227	1.3%
Statewide Total (Adjusted)	**17,553**	**17,729**	**1.0%**	**18,060**	**1.9%**	**18,557**	**2.8%**	**19,241**	**3.7%**
Personal Service	12,149	12,234	0.7%	12,494	2.1%	12,832	2.7%	13,364	4.1%
Non-Personal Service	5,404	5,495	1.7%	5,566	1.3%	5,725	2.9%	5,877	2.7%
Statewide Total	**17,451**	**17,965**	**2.9%**	**18,060**	**0.5%**	**18,557**	**2.8%**	**19,241**	**3.7%**
Personal Service	12,047	12,470	3.5%	12,494	0.2%	12,832	2.7%	13,364	4.1%
Non-Personal Service	5,404	5,495	1.7%	5,566	1.3%	5,725	2.9%	5,877	2.7%

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 employee 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
(millions of dollars)

	FY 2012 Results	FY 2013 Updated	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**6,593**	**6,531**	**-0.9%**	**7,062**	**8.1%**	**7,563**	**7.1%**	**8,040**	**6.3%**
Fringe Benefits	**6,217**	**6,146**	**-1.1%**	**6,707**	**9.1%**	**7,193**	**7.2%**	**7,671**	**6.6%**
Health Insurance	3,275	3,202	-2.2%	3,411	6.5%	3,670	7.6%	3,951	7.7%
Employee Health Insurance	2,052	1,987	-3.2%	2,132	7.3%	2,294	7.6%	2,469	7.6%
Retiree Health Insurance	1,223	1,215	-0.7%	1,279	5.3%	1,376	7.6%	1,482	7.7%
Pensions	1,697	1,600	-5.7%	2,012	25.8%	2,257	12.2%	2,467	9.3%
Social Security	914	931	1.9%	944	1.4%	969	2.6%	1,000	3.2%
All Other Fringe	331	413	24.8%	340	-17.7%	297	-12.6%	253	-14.8%
Fixed Costs	**376**	**385**	**2.4%**	**355**	**-7.8%**	**370**	**4.2%**	**369**	**-0.3%**

GSCs are projected to increase at an average annual rate of 5.1 percent over the Financial Plan period. The annual decrease in FY 2013 is driven by the impact of collective bargaining agreements, workforce attrition and the prepayment of certain pension costs in FY 2012. These declines are partially offset by increased workers' compensation payments commensurate with 2007 legislative reforms and Court of Claims payments related to the Gyrodyne eminent domain lawsuit against the State. 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)

GENERAL FUND TRANSFERS TO OTHER FUNDS (millions of dollars)					
	FY 2012 Results	FY 2013 Updated	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Total Transfers to Other Funds	**5,856**	**7,036**	**8,655**	**9,535**	**9,802**
Medicaid State Share	2,722	2,975	2,767	2,621	2,521
Debt Service	1,516	1,564	1,617	1,514	1,488
Capital Projects	798	1,055	1,287	1,403	1,299
Dedicated Highway and Bridge Trust Fund	449	499	594	619	622
All Other Capital	349	556	693	784	677
All Other Transfers	820	1,442	2,984	3,997	4,494
Mental Hygiene	0	0	824	1,756	2,347
SUNY - Disproportionate Share	225	228	228	228	228
Judiciary Funds	123	115	116	117	118
School Aid - Lottery/VLT Aid Guarantee	55	19	0	0	0
SUNY - University Operations	0	340	983	1,002	1,022
SUNY - Hospital Operations	60	81	88	88	88
Banking Services	71	58	66	66	66
Statewide Financial System	36	48	55	55	55
Indigent Legal Services	40	40	40	40	40
Department of Transportation (MTA Tax)	22	280	332	334	334
Mass Transportation Operating Assistance	47	19	19	19	19
Alcoholic Beverage Control	16	17	19	20	20
Public Transportation Systems	12	12	12	12	12
Correctional Industries	10	10	10	10	10
OFT Centralized Tech Services	0	22	52	20	10
All Other	103	153	140	230	125

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 the DHBTF. The DHBTF 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 $7.0 billion in FY 2013, an annual increase of $1.2 billion, or 20 percent. This increase is mainly due to higher costs related to the Financial Plan re-categorization of SUNY operating support, supplementation to MTA for the recent payroll tax reduction, Medicaid State share, and capital projects.

DEBT SERVICE

The State pays debt service on all outstanding State-supported bonds. These include general obligation bonds, for which the State is constitutionally obligated to pay debt service, as well as bonds issued by State public authorities (i.e., ESDC, DASNY, and the Thruway Authority, 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 Results	FY 2013 Updated	Annual Change	Percent Change
General Fund	**1,516**	**1,564**	**48**	**3.2%**
Other State Support	4,348	4,536	188	4.3%
State Operating Funds	**5,864**	**6,100**	**236**	**4.0%**
Total All Funds	**5,864**	**6,100**	**236**	**4.0%**

Total debt service is projected at $6.1 billion in FY 2013, of which $1.6 billion is financed via a General Fund transfer, 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 appropriation-backed revenue bonds, including PIT bonds, DHBTF bonds, and mental health facilities bonds.

Projections for debt service spending have been updated to reflect actual bond sale results to date, higher assumed costs for mental health bonds, and anticipated increased 2012-13 bonding levels for SUNY and transportation purposes.

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 2012 in July 2012.

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, 2012	137	56	80	346	619	(1,868)
March 31, 2011	1,529	742	198	(568)	1,901	(2,009)
March 31, 2010	(594)	(722)	378	1,061	123	(3,538)

Summary of Net Assets
(millions of dollars)

Fiscal Year Ended	Governmental Activities	Business-Type Activities	Total Primary Government
March 31, 2012	26,333	(658)	25,675
March 31, 2011	27,648	(618)	27,030
March 31, 2010	27,976	116	28,092

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 information regarding the New York State and Local Retirement System ("NYSLRS" or the "Systems") and the Common Retirement Fund ("CRF"), a pooled investment vehicle in which the assets of the Systems are held and invested. 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. The Systems Actuary's Annual Report to the Comptroller on Actuarial Assumptions - the contents of which explain the methodology used to determine employer contribution rates to the Systems - issued from 2007 through 2011, as well as NYSLRS' CAFR and Asset Listing, the NYSLRS' CAFR for each of the seven prior fiscal years, and benefit plan booklets describing how each of the Systems' tiers works are all available and can be accessed at www.osc.state.ny.us/retire/publications. The audited Financial Statements for the fiscal year ending March 31, 2012 were completed in July 2012 and can also be accessed at this link. The NYSLRS' CAFR for the fiscal year ending March 31, 2012, which will include the independent auditor's report for the fiscal year ending March 31, 2012, will be available on the OSC website by September 30, 2012.

The State Comptroller is the administrative head of NYSLRS, which has the powers and privileges of a corporation and comprises 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 promulgates rules and regulations for the administration and transaction of the business of the Systems. Pursuant to the State's Retirement and Social Security Law and Insurance Law, NYSLRS is subject to the supervision of the Superintendent of the New York State Department of Financial Services. The Comptroller is also the trustee and custodian of the CRF, a trust created pursuant to the Retirement and Social Security Law, and, as such, is responsible for investing the assets of the Systems. Consistent with statutory limitations affecting categories of investment, the Comptroller, as trustee of the CRF, establishes a target asset allocation and approves policies and procedures to guide and direct the investment activities of the Division of Pension Investment and Cash Management of the Office of the State Comptroller ("Division"). Division employees, outside advisors, consultants and legal counsel provide the Comptroller with advice and oversight of investment decisions. Outside advisors and internal investment staff must sign off on investment decisions before final action by the Comptroller. The Investment Advisory Committee and the Real Estate Advisory Committee, both made up of outside advisors, assist the Comptroller in his investment duties. The Investment Advisory Committee advises the Comptroller on investment policies relating to the CRF, reviews the portfolio of the CRF and makes such recommendations as the Committee deems necessary. The Real Estate Advisory Committee reviews and must approve mortgage and real estate investments for consideration by the Comptroller.

THE SYSTEMS

The Systems provide pension benefits to public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). State employees made up about 34 percent of the membership during FY 2012. 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 public authorities.

As of March 31, 2012, approximately 656,000 persons were members of the Systems and approximately 403,000 pensioners or beneficiaries were receiving pension benefits. Article 5, section 7 of 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."

COMPARISON OF BENEFITS BY TIER

The Systems' members are categorized into six tiers depending on date of membership. As of March 31, 2012, approximately 87 percent of ERS members were in Tiers 3 and 4 and approximately 93 percent of PFRS members were in Tier 2. Tier 5 was enacted in 2009 and made 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. Tier 6 was enacted in 2012 and made further changes to the benefit structure for ERS and PFRS members joining on or after April 1, 2012.

Benefits paid to members vary depending on tier. Tiers vary with respect to vesting, employee contributions, retirement age, reductions for early retirement, and calculation and limitation of "final average salary" – generally the average of an employee's three consecutive highest years' salary (for Tier 6 members, final average salary is determined by taking the average of an employee's five consecutive highest years' salary). ERS members in Tiers 3 and 4 can begin receiving full retirement benefits at age 62, or at age 55 with at least 30 years of service. The amount of the benefit is based on years of service, age at retirement and the final average salary earned. The majority of PFRS members in Tier 2 are in special plans that permit them to retire after 20 or 25 years regardless of age. Charts comparing the key benefits provided to members of ERS and PFRS in most of the tiers of the Systems can be accessed at http://www.osc.state.ny.us/retire/employers/tier-6/index.php.

2010 RETIREMENT INCENTIVE PROGRAM

Legislation enacted in June 2010 provided the State and local employers with the option to offer a temporary Retirement Incentive Program for certain ERS members for periods ending no later than December 31, 2010. 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.

Participating 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. The number of members who retired under the State Early Retirement Incentive (ERI) is approximately 6,400. 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.

CONTRIBUTIONS AND FUNDING

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 members of Tier 5 and 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 (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 are non-contributory in their plan for their career. Individuals who first became Tier 5 members after the expiration of the current collective bargaining agreement are subject to the 3 percent contribution. Members in Tier 6 are required to pay contributions throughout their career on a stepped basis relative to each respective member's wages. Members of both ERS and PFRS earning $45,000 or less must contribute 3 percent of their gross annual wages; members earning between $45,001 and $55,000 will contribute 3.5 percent; members earning between $55,001 and $75,000 will contribute 4.5 percent; members earning between $75,001 and 100,000 will contribute 5.75 percent; and, those earning in excess of $100,000 will contribute 6 percent of their gross annual salary.

The CRF experienced significant investment losses in FY 2009. These investment losses negatively impacted the value of assets held by the CRF for the Systems. In order to protect employers from potentially volatile contributions tied directly to the value of the Systems' assets held by the CRF, the Systems utilize a multi-year smoothing procedure. One of the factors used to calculate employer contribution requirements is the assumed investment rate of return used by the Systems Actuary, which is currently 7.5 percent. The current actuarial smoothing method spreads the impact of gains or losses above or below the 7.5 percent assumed investment rate of return over a 5-year period. Thus, because of the significant investment loss in FY 2009, employer 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. 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. Contribution rates for FY 2014 are expected to be released by early September 2012.

Legislation enacted in May 2003 realigned the Systems' billing cycle to match participating local governments' budget cycles and also instituted a minimum annual payment of at least 4.5 percent of payroll every year. The employer contribution for a given fiscal year is based in part on the value of the CRF's assets and its liabilities on the preceding April 1. Chapter 260 of the Laws of 2004 authorized 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, 2012, the amortized amount receivable pursuant to Chapter 260 from the State is $249 million and from participating employers is $65.3 million. The State paid $1,511.1 million in contributions (including Judiciary) for FY 2012 including amortization payments of approximately $69.1 million pursuant to Chapter 260.

Legislation enacted 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 are required to pay interest on the amortized amounts at a rate determined annually by the Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate on the amount an employer chooses to amortize in a particular rate year is 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. For amounts amortized in fiscal year 2011, the Comptroller set an interest rate of 5 percent. For amounts amortized in fiscal year 2012, the interest rate is 3.75 percent. The rate for amounts amortized in fiscal year 2013 will be released by early September 2012. The first payment is due in the fiscal year following the decision to amortize pension costs. 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. As of March 31, 2012, the amortized amount receivable for the 2011 amortization is $230.67 million from the State and $40.39 million from participating employers. In FY 2012, the State elected to amortize $562.9 million and 134 participating employers amortized a total of $216.33 million.

The estimated State payment (including Judiciary) due March 1, 2013 is $2,189.4 million. The State (including Judiciary) has the option to amortize up to $781.9 million which would reduce the required payment to $1,407.5 million. The State payment for FY 2013 is an estimate. If this amount changes, then the amount 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, 2012 were $153.4 billion (including $3.5 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 $3.9 billion or 2.6 percent from the FY 2011 level of $149.5 billion. The increase in net assets available for benefits from FY 2011 to FY 2012 reflects, in large part, equity market performance. The valuation used by the Systems Actuary will be based on audited net assets available for benefits as of March 31, 2012 and will be included in the NYSLRS' CAFR for that fiscal year.

Consistent with statutory limitations affecting categories of investment, the Comptroller, as trustee of the CRF, establishes a target asset allocation and approves policies and procedures to guide and direct the Division's investment activities. The purpose of this asset allocation strategy is to identify the optimal diversified mix of assets to meet the requirements of pension payment obligations to members. In the fiscal year ended March 31, 2010, an asset liability analysis was completed and a long term policy allocation was adopted. The current long term policy allocation seeks a mix that includes 43 percent equities (30 percent domestic and 13 percent international); 22 percent bonds, cash and mortgages; 8 percent inflation indexed bonds and 27 percent alternative investments (10 percent private equity, 6 percent real estate, 4 percent absolute return or hedge funds, 4 percent opportunistic and 3 percent real assets (commodities)). Since the implementation of the long-term policy allocation will take several years, transition targets have been established to aid in the asset rebalancing process. [3]

[3] More detail on the CRF's asset allocation, long-term policy allocation and transition target allocation can be found on page 73 of the NYSLRS CAFR for the fiscal year ending March 31, 2011.

The Systems report that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from $194.3 billion on April 1, 2011 to $198.6 billion (including $89.3 billion for current retirees and beneficiaries) on April 1, 2012. 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, 2012 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 loss for FY 2012, 40 percent of the unexpected gain for the FY 2011, 60 percent of the unexpected gain for FY 2010 and 80 percent of the unexpected loss for FY 2009[4]. Actuarial assets decreased from $148.6 billion on April 1, 2011 to $147.8 billion on April 1, 2012. The funded ratio, as of April 1, 2012, calculated by the System Actuary in August 2012 using the entry age normal funding method and actuarial assets, was 87 percent[5].

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[4] The current actuarial smoothing method spreads the impact of gains or losses above or below the 7.5 percent assumed investment rate of return over a 5-year period.

[5] Detail on the funded ratios of ERS and PFRS as of April 1 for each of the 5 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 5 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 ten years. See also "Contributions and Funding" 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	
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	4,585	2,799	1,786	273	8,938

(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.

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

Fiscal Year Ended March 31	Net Assets	Percent Increase/ (Decrease) From Prior Year
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
2012	153,394	2.6

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, 2012 includes approximately $3.5 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 under the section entitled "Debt and Other Financing Activities."

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 Enacted Budget authorizes any public benefit corporation to make voluntary contributions to the State's General Fund 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 deems 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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As of December 31, 2011 (NYJDA is as of March 31, 2012), each of the 18 authorities listed in the following table had outstanding debt of $100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately $170 billion, only a portion of which constitutes State-supported or State-related debt. The following table summarizes the outstanding debt of these authorities.

Outstanding Debt of Certain Authorities (1) (2) (3)
As of December 31, 2011 (8)
(millions of dollars)

Authority	State-Related Conduit (4)	Authority and Conduit Bonding	Total
Dormitory Authority (5)	22,409	22,790	**45,199**
Metropolitan Transportation Authority	2,034	21,601	**23,635**
Port Authority of NY & NJ	0	19,515	**19,515**
Thruway Authority	11,071	3,085	**14,156**
Housing Finance Agency	1,058	9,547	**10,605**
UDC/ESDC (6)	9,426	1,004	**10,430**
Triborough Bridge and Tunnel Authority	9	8,544	**8,553**
Environmental Facilities Corporation	896	7,258	**8,154**
Long Island Power Authority (7)	0	6,631	**6,631**
New York Job Development Authority (8)	19	6,615	**6,634**
Energy Research and Development Authority (7)	0	3,836	**3,836**
State of New York Mortgage Agency	0	3,217	**3,217**
Local Government Assistance Corporation	3,119	0	**3,119**
Tobacco Settlement Financing Corporation	2,690	0	**2,690**
Power Authority	0	1,784	**1,784**
Battery Park City Authority	0	1,053	**1,053**
Municipal Bond Bank Agency	368	353	**721**
Niagara Frontier Transportation Authority	0	170	**170**
TOTAL OUTSTANDING	53,099	117,003	**170,102**

Source: Office of the State Comptroller. Debt classifications by Division of the Budget.

(1) Includes only authorities w ith $100 million or more in outstanding debt w hich are reported as component units or joint ventures of the State in the Comprehensive Annual Financial Report (CAFR). The NY Job Development Authority (JDA) debt reported above w as included in the State's Basic Financial Statements that w ere published in July 2012 as a footnote disclosure. This debt w ill also be included in the State's CAFR that is expected to be published in September 2012 as a footnote disclosure.

(2) Reflects original par amounts for bonds and financing arrangements or original gross proceeds in the case of capital appreciation bonds. Amounts outstanding do not reflect accretion of capital appreciation bonds or premiums received. In prior years, the amount reported for the Port Authority of NY & NJ (PANYNJ) and the Long Island Pow er Authority (LIPA) included accretion. December 2011 amounts exclude $10 million of accretion for PANYNJ and $263 million for LIPA.

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

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

(5) Includes debt previously issued by New York State Medical Care Facilities Finance Agency, w hich w as consolidated w ith the Dormitory Authority on September 1, 1995. The debt also includes $220 million in bonds outstanding issued by the Dormitory Authority for Rosw ell Park Cancer Institute.

(6) Includes $700 million in bonds outstanding issued by the Convention Center Development Corporation, a subsidiary of the Urban Development Corporation.

(7) Includes $155 million in bonds issued by the Energy Research and Development Authority (ERDA) and included in amounts reported for both ERDA and LIPA.

(8) Reflects $6.6 billion in conduit debt issued by the New York Job Development Authority's blended component units outstanding as of March 31, 2012, consisting of $6.1 billion in debt issued by New York Liberty Development Corporation and $511 million in debt issued by the Brooklyn Arena Local Development Corporation.

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 by local governments has become more common in recent years. Between 2004 and January 2012, the State Legislature passed 21 special acts authorizing, or amending authorizations for, bond issuances to finance local government operating deficits, including a total of four passed during the 2009 and 2010 legislative sessions. However, the legislation introduced during the regular 2012 legislative session that would have authorized Rockland County and the City of Long Beach to issue bonds to address accumulated deficits did not pass both houses of the legislature. In addition to deficit financing authorizations, 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 2004 fiscal year, but recently transitioned to Advisory Period powers during the City's 2013 fiscal year.

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 2011 fiscal year. Nassau County challenged NIFA's determination and authority to impose a Control Period in State Supreme Court and did not prevail. NIFA is now exercising Control Period powers over Nassau County.

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 pursuant to special State legislation. 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 2013 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 increases in 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 has had 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.

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, sought 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*, 547 U.S. 1128 (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. See 132 S. Ct. 452 (2011).

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 motion for reconsideration has been withdrawn, but a motion to amend the complaint remains pending in the district court and stayed through at least September 1, 2012. The *Shinnecock* appeal to the Second Circuit also remains stayed.

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 all parties have moved for summary judgment 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 to discontinue 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, Southampton/Southold* and *Vanderhoef*. The plaintiffs in *Brookhaven* and *Huntington* appealed from those decisions in their cases but failed to perfect their appeals within nine months after the date of their notices of appeal, which, pursuant to the Rules of the Third Department, means their appeals are deemed abandoned.

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. The appeal was never perfected and, under the Appellate Division's rules, is deemed abandoned.

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 appeal was argued April 26, 2012. On June 26, 2012, the Court of Appeals affirmed the denial of the State's motion to dismiss.

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 conducted. The discovery deadline is December 31, 2012.

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. On May 8, 2012, the Court of Appeals denied claimants motion for leave. As a result, the case has been concluded in the State's favor and the claim has been dismissed.

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.

On February 10, 2011, the Seneca Nation of Indians commenced *Seneca Nation of Indians v. State of New York, et al., (Sup. Ct., Erie Co.)*, 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 was denied on February 21, 2012.

In July 2011, plaintiffs commenced *Akwesasne Convenience Store Association et al. v. State of New York, (Sup. Ct., Erie Co.)*, 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. By decision dated August 2, 2012, the Supreme Court, Erie County, granted defendants' motion for summary judgment dismissing the complaint and denied plaintiffs' cross motion for summary judgement.

EMINENT DOMAIN

In *Gyrodyne Company of America, Inc. v. State of New York (Court of Claims)*, claimant sought 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, was denied by the Second Department on February 17, 2012. On June 5, 2012, the Court of Appeals denied the State's motion for leave to appeal. The Division of the Budget advises that the State paid the judgment on July 5, 2012, as noted earlier in this report (see "Multi-Year Financial Plan Revisions" herein).

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. The plaintiff insurance companies argue, among other things, that these assessments constitute an unlawful tax because they include amounts for items that are not the legitimate direct and indirect costs 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. The discovery deadline is October 1, 2012.

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.

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 took place in Chicago April 16-24, 2012. State-specific hearings commenced in May, with the hearings involving Missouri and Illinois. New York's diligent enforcement hearings took place June 25-29, 2012. State-specific hearings are scheduled for two weeks each month until June 2013.

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FINANCIAL PLAN TABLES

The cash financial plan tables listed below appear on the following pages and summarize actual receipts and disbursements for fiscal year 2012 and projected receipts and disbursements for fiscal years 2013 through 2016 on a General Fund, State Operating Funds and All Governmental Funds basis.

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

	FY 2012 Results	FY 2013 Projected	Annual $ Change	Annual % Change
Opening Fund Balance	1,376	1,787	411	29.9%
Receipts:				
Taxes:				
Personal Income Tax	25,843	26,916	1,073	4.2%
User Taxes and Fees	9,055	9,196	141	1.6%
Business Taxes	5,760	6,035	275	4.8%
Other Taxes	1,096	1,146	50	4.6%
Miscellaneous Receipts	3,162	3,354	192	6.1%
Federal Receipts	60	60	0	0.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,097	8,250	153	1.9%
Sales Tax in Excess of LGAC Debt Service	2,396	2,430	34	1.4%
Real Estate Taxes in Excess of CW/CA Debt Service	387	469	82	21.2%
All Other Transfers	1,044	1,039	(5)	-0.5%
Total Receipts	56,900	58,895	1,995	3.5%
Disbursements:				
Local Assistance Grants	38,419	39,668	1,249	3.3%
Departmental Operations:				
Personal Service	5,781	6,170	389	6.7%
Non-Personal Service	1,713	1,835	122	7.1%
General State Charges	4,720	4,499	(221)	-4.7%
Transfers to Other Funds:				
Debt Service	1,516	1,564	48	3.2%
Capital Projects	798	1,055	257	32.2%
State Share Medicaid	2,722	2,975	253	9.3%
SUNY Operations	0	340	340	
Other Purposes	820	1,102	282	34.4%
Total Disbursements	56,489	59,208	2,719	4.8%
Excess (Deficiency) of Receipts Over Disbursements and Reserves	411	(313)	(724)	-176.2%
Closing Fund Balance	1,787	1,474	(313)	-17.5%
Statutory Reserves				
Tax Stabilization Reserve Fund	1,131	1,131	0	
Rainy Day Reserve Fund	175	175	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	102	57	(45)	
Reserved For				
Prior-Year Labor Agreements (2007-2011)	283	77	(206)	
Undesignated Fund Balance	75	13	(62)	

Source: NYS DOB

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

	FY 2013 Projected	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Receipts:				
Taxes:				
Personal Income Tax	26,916	28,920	29,613	30,614
User Taxes and Fees	9,196	9,570	9,986	10,351
Business Taxes	6,035	6,208	5,686	6,237
Other Taxes	1,146	1,139	1,224	1,224
Miscellaneous Receipts	3,354	2,879	2,297	2,389
Federal Receipts	60	2	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,250	8,798	8,948	9,127
Sales Tax in Excess of LGAC Debt Service	2,430	2,560	2,689	2,816
Real Estate Taxes in Excess of CW/CA Debt Service	469	525	601	676
All Other Transfers	1,039	866	774	764
Total Receipts	58,895	61,467	61,818	64,198
Disbursements:				
Local Assistance Grants	39,668	41,871	43,225	45,489
Departmental Operations:				
Personal Service	6,170	5,487	5,632	5,915
Non-personal Service	1,835	1,630	1,771	1,821
General State Charges	4,499	4,889	5,235	5,527
Transfers to Other Funds:				
Debt Service	1,564	1,617	1,514	1,488
Capital Projects	1,055	1,287	1,403	1,299
State Share Medicaid	2,975	2,767	2,621	2,521
SUNY Operations	340	983	1,002	1,022
Other Purposes	1,102	2,001	2,995	3,472
Total Disbursements	59,208	62,532	65,398	68,554
Reserves:				
Community Projects Fund	(45)	(57)	0	0
Rainy Day Reserve Fund	0	0	0	0
Undesignated Fund Balance	(62)	0	0	0
Prior-Year Labor Agreements (2007-2011)	(206)	(26)	10	14
Increase (Decrease) in Reserves	(313)	(83)	10	14
Excess (Deficiency) of Receipts Over Disbursements and Reserves	0	(982)	(3,590)	(4,370)

Source: NYS DOB

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

	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal Income Tax	26,916	0	26,916
User Taxes and Fees	9,271	(75)	9,196
Business Taxes	6,038	(3)	6,035
Other Taxes	1,144	2	1,146
Miscellaneous Receipts	3,229	125	3,354
Federal Receipts	60	0	60
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	8,272	(22)	8,250
Sales Tax in Excess of LGAC Debt Service	2,456	(26)	2,430
Real Estate Taxes in Excess of CW/CA Debt Service	444	25	469
All Other	1,070	(31)	1,039
Total Receipts	58,900	(5)	58,895
Disbursements:			
Local Assistance Grants	39,845	23	39,868
Departmental Operations:			
Personal Service	5,892	278	6,170
Non-Personal Service	1,844	(9)	1,835
General State Charges	4,403	96	4,499
Transfers to Other Funds			
Debt Service	1,580	(16)	1,564
Capital Projects	1,055	0	1,055
State Share Medicaid	2,978	(3)	2,975
SUNY Operations	340	0	340
Other Purposes	1,131	(29)	1,102
Total Disbursements	58,868	340	59,208
Reserves:			
Community Projects Fund	(45)	0	(45)
Rainy Day Reserve Fund	0	0	0
Undesignated Fund Balance	(62)	0	(62)
Prior-Year Labor Agreements (2007-2011)	139	(345)	(206)
Increase (Decrease) in Reserves	32	(345)	(313)
Excess (Deficiency) of Receipts Over Disbursements and Reserves	0	0	0

Source: NYS DOB

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

	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal Income Tax	28,920	0	28,920
User Taxes and Fees	9,626	(56)	9,570
Business Taxes	6,208	0	6,208
Other Taxes	1,137	2	1,139
Miscellaneous Receipts	2,829	50	2,879
Federal Receipts	2	0	2
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	8,842	(44)	8,798
Sales Tax in Excess of LGAC Debt Service	2,579	(19)	2,560
Real Estate Taxes in Excess of CW/CA Debt Service	500	25	525
All Other	862	4	866
Total Receipts	61,505	(38)	61,467
Disbursements:			
Local Assistance Grants	41,872	(1)	41,871
Departmental Operations:			
Personal Service	5,370	117	5,487
Non-Personal Service	1,637	(7)	1,630
General State Charges	4,834	55	4,889
Transfers to Other Funds:			
Debt Service	1,653	(36)	1,617
Capital Projects	1,293	(6)	1,287
State Share Medicaid	2,772	(5)	2,767
SUNY Operations	982	1	983
Other Purposes	1,980	21	2,001
Total Disbursements	62,393	139	62,532
Reserves:			
Community Projects Fund	(56)	(1)	(57)
Prior-Year Labor Agreements (2007-2011)	118	(144)	(26)
Increase (Decrease) in Reserves	62	(145)	(83)
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(950)	(32)	(982)

Source: NYS DOB

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

	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal Income Tax	29,812	1	29,813
User Taxes and Fees	10,042	(56)	9,986
Business Taxes	5,713	(27)	5,686
Other Taxes	1,222	2	1,224
Miscellaneous Receipts	2,297	0	2,297
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	8,981	(33)	8,948
Sales Tax in Excess of LGAC Debt Service	2,706	(17)	2,689
Real Estate Taxes in Excess of CW/CA Debt Service	576	25	601
All Other	770	4	774
Total Receipts	61,919	(101)	61,818
Disbursements:			
Local Assistance Grants	43,227	(2)	43,225
Departmental Operations:			
Personal Service	5,496	136	5,632
Non-Personal Service	1,722	49	1,771
General State Charges	5,179	56	5,235
Transfers to Other Funds			
Debt Service	1,585	(71)	1,514
Capital Projects	1,408	(5)	1,403
State Share Medicaid	2,626	(5)	2,621
SUNY Operations	1,001	1	1,002
Other Purposes	2,972	23	2,995
Total Disbursements	65,216	182	65,398
Reserves:			
Prior-Year Labor Agreements (2007-2011)	118	(108)	10
Increase (Decrease) in Reserves	118	(108)	10
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(3,415)	(175)	(3,590)

Source: NYS DOB

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

	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal Income Tax	30,614	0	30,614
User Taxes and Fees	10,406	(55)	10,351
Business Taxes	6,291	(54)	6,237
Other Taxes	1,222	2	1,224
Miscellaneous Receipts	2,389	0	2,389
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	9,195	(68)	9,127
Sales Tax in Excess of LGAC Debt Service	2,832	(16)	2,816
Real Estate Taxes in Excess of CW/CA Debt Service	651	25	676
All Other	760	4	764
Total Receipts	64,360	(162)	64,198
Disbursements:			
Local Assistance Grants	45,490	(1)	45,489
Departmental Operations:			
Personal Service	5,753	162	5,915
Non-Personal Service	1,806	15	1,821
General State Charges	5,470	57	5,527
Transfers to Other Funds:			
Debt Service	1,559	(71)	1,488
Capital Projects	1,301	(2)	1,299
State Share Medicaid	2,526	(5)	2,521
SUNY Operations	1,021	1	1,022
Other Purposes	3,446	26	3,472
Total Disbursements	68,372	182	68,554
Reserves:			
Prior-Year Labor Agreements (2007-2011)	118	(104)	14
Increase (Decrease) in Reserves	118	(104)	14
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(4,130)	(240)	(4,370)

Source: NYS DOB

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

	FY 2013 Projected	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Taxes:				
Withholdings	32,173	34,342	35,557	37,647
Estimated Payments	11,752	12,563	13,477	13,360
Final Payments	2,153	2,266	2,151	2,251
Other Payments	1,174	1,183	1,236	1,286
Gross Collections	47,252	50,354	52,421	54,544
State/City Offset	(198)	(198)	(148)	(148)
Refunds	(6,798)	(6,984)	(7,933)	(8,585)
Reported Tax Collections	40,256	43,172	44,340	45,811
STAR (Dedicated Deposits)	(3,276)	(3,459)	(3,642)	(3,744)
RBTF (Dedicated Transfers)	(10,064)	(10,793)	(11,085)	(11,453)
Personal Income Tax	26,916	28,920	29,613	30,614
Sales and Use Tax	11,310	11,816	12,374	12,871
Cigarette and Tobacco Taxes	469	462	455	447
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	244	245	250	250
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	12,023	12,523	13,079	13,568
LGAC Sales Tax (Dedicated Transfers)	(2,827)	(2,953)	(3,093)	(3,217)
User Taxes and Fees	9,196	9,570	9,986	10,351
Corporation Franchise Tax	2,737	2,931	2,255	2,628
Corporation and Utilities Tax	684	662	712	732
Insurance Taxes	1,322	1,373	1,416	1,498
Bank Tax	1,292	1,242	1,303	1,379
Petroleum Business Tax	0	0	0	0
Business Taxes	6,035	6,208	5,686	6,237
Estate Tax	1,127	1,120	1,205	1,205
Real Estate Transfer Tax	685	735	805	880
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	18	18	18	18
Other Taxes	1	1	1	1
Gross Other Taxes	1,831	1,874	2,029	2,104
Real Estate Transfer Tax (Dedicated)	(685)	(735)	(805)	(880)
Other Taxes	1,146	1,139	1,224	1,224
Payroll Tax	0	0	0	0
Total Taxes	43,293	45,837	46,509	48,426
Licenses, Fees, Etc.	678	689	621	612
Abandoned Property	785	670	655	655
Motor Vehicle Fees	99	26	26	26
ABC License Fee	51	50	50	50
Reimbursements	312	312	262	262
Investment Income	10	30	30	30
Other Transactions	1,419	1,102	653	754
Miscellaneous Receipts	3,354	2,879	2,297	2,389
Federal Grants	60	2	0	0
Total	46,707	48,718	48,806	50,815

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
Opening Fund Balance	1,787	1,632	428	3,847
Receipts:				
Taxes	43,293	8,156	13,457	64,906
Miscellaneous Receipts	3,354	15,733	996	20,083
Federal Receipts	60	1	79	140
Total Receipts	46,707	23,890	14,532	85,129
Disbursements:				
Local Assistance Grants	39,668	19,139	0	58,807
Departmental Operations:				
Personal Service	6,170	6,300	0	12,470
Non-Personal Service	1,835	3,613	47	5,495
General State Charges	4,499	2,032	0	6,531
Debt Service	0	0	6,100	6,100
Capital Projects	0	5	0	5
Total Disbursements	52,172	31,089	6,147	89,408
Other Financing Sources (Uses):				
Transfers from Other Funds	12,188	7,704	6,305	26,197
Transfers to Other Funds	(7,036)	(448)	(14,586)	(22,070)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	5,152	7,256	(8,281)	4,127
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(313)	57	104	(152)
Closing Fund Balance	1,474	1,689	532	3,695

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	45,837	8,445	14,362	68,644
Miscellaneous Receipts	2,879	16,352	1,043	20,274
Federal Receipts	2	1	79	82
Total Receipts	48,718	24,798	15,484	89,000
Disbursements:				
Local Assistance Grants	41,871	20,013	0	61,884
Departmental Operations:				
Personal Service	5,487	7,007	0	12,494
Non-Personal Service	1,630	3,889	47	5,566
General State Charges	4,889	2,173	0	7,062
Debt Service	0	0	6,415	6,415
Capital Projects	0	5	0	5
Total Disbursements	53,877	33,087	6,462	93,426
Other Financing Sources (Uses):				
Transfers from Other Funds	12,749	8,747	6,160	27,656
Transfers to Other Funds	(8,655)	(250)	(15,069)	(23,974)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	4,094	8,497	(8,909)	3,682
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(1,065)	208	113	(744)
Designated General Fund Reserves:				
Community Projects Fund	(57)			
Prior-Year Labor Agreements (2007-2011)	(26)			
Increase (Decrease) in Reserves	(83)			
Net General Fund Deficit	(982)			

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	46,509	8,800	14,864	70,173
Miscellaneous Receipts	2,297	16,653	1,094	20,044
Federal Receipts	0	1	79	80
Total Receipts	48,806	25,454	16,037	90,297
Disbursements:				
Local Assistance Grants	43,225	20,678	0	63,903
Departmental Operations:				
Personal Service	5,632	7,200	0	12,832
Non-Personal Service	1,771	3,907	47	5,725
General State Charges	5,235	2,328	0	7,563
Debt Service	0	0	6,484	6,484
Capital Projects	0	5	0	5
Total Disbursements	55,863	34,118	6,531	96,512
Other Financing Sources (Uses):				
Transfers from Other Funds	13,012	9,122	5,623	27,757
Transfers to Other Funds	(9,535)	(49)	(14,993)	(24,577)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	3,477	9,073	(9,370)	3,180
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(3,580)	409	136	(3,035)
Designated General Fund Reserves:				
Prior-Year Labor Agreements (2007-2011)	10			
Increase (Decrease) in Reserves	10			
Net General Fund Deficit	(3,590)			

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2016
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	48,426	9,061	15,431	72,918
Miscellaneous Receipts	2,389	16,726	1,092	20,207
Federal Receipts	0	1	79	80
Total Receipts	50,815	25,788	16,602	93,205
Disbursements:				
Local Assistance Grants	45,489	20,668	0	66,157
Departmental Operations:				
Personal Service	5,915	7,449	0	13,364
Non-Personal Service	1,821	4,009	47	5,877
General State Charges	5,527	2,513	0	8,040
Debt Service	0	0	6,645	6,645
Capital Projects	0	5	0	5
Total Disbursements	58,752	34,644	6,692	100,088
Other Financing Sources (Uses):				
Transfers from Other Funds	13,383	9,522	5,369	28,274
Transfers to Other Funds	(9,802)	(220)	(15,273)	(25,295)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	3,581	9,302	(9,904)	2,979
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(4,356)	446	6	(3,904)
Designated General Fund Reserves:				
Prior-Year Labor Agreements (2007-2011)	14			
Increase (Decrease) in Reserves	14			
Net General Fund Deficit	(4,370)			

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
Opening Fund Balance	1,787	1,594	(449)	428	3,360
Receipts:					
Taxes	43,293	8,156	1,401	13,457	66,307
Miscellaneous Receipts	3,354	15,919	4,234	996	24,503
Federal Receipts	60	40,303	2,191	79	42,633
Total Receipts	46,707	64,378	7,826	14,532	133,443
Disbursements:					
Local Assistance Grants	39,668	53,792	2,104	0	95,564
Departmental Operations:					
Personal Service	6,170	6,945	0	0	13,115
Non-Personal Service	1,835	4,542	0	47	6,424
General State Charges	4,499	2,309	0	0	6,808
Debt Service	0	0	0	6,100	6,100
Capital Projects	0	5	5,963	0	5,968
Total Disbursements	52,172	67,593	8,067	6,147	133,979
Other Financing Sources (Uses):					
Transfers from Other Funds	12,188	7,705	1,328	6,305	27,526
Transfers to Other Funds	(7,036)	(4,432)	(1,479)	(14,586)	(27,533)
Bond and Note Proceeds	0	0	400	0	400
Net Other Financing Sources (Uses)	5,152	3,273	249	(8,281)	393
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(313)	58	8	104	(143)
Closing Fund Balance	1,474	1,652	(441)	532	3,217

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	45,837	8,445	1,421	14,362	70,065
Miscellaneous Receipts	2,879	16,538	4,022	1,043	24,482
Federal Receipts	2	41,893	2,212	79	44,186
Total Receipts	48,718	66,876	7,655	15,484	138,733
Disbursements:					
Local Assistance Grants	41,871	56,413	2,107	0	100,391
Departmental Operations:					
Personal Service	5,487	7,622	0	0	13,109
Non-Personal Service	1,630	4,911	0	47	6,588
General State Charges	4,889	2,455	0	0	7,344
Debt Service	0	0	0	6,415	6,415
Capital Projects	0	5	5,756	0	5,761
Total Disbursements	53,877	71,406	7,863	6,462	139,608
Other Financing Sources (Uses):					
Transfers from Other Funds	12,749	8,748	1,539	6,160	29,196
Transfers to Other Funds	(8,655)	(4,009)	(1,540)	(15,069)	(29,273)
Bond and Note Proceeds	0	0	338	0	338
Net Other Financing Sources (Uses)	4,094	4,739	337	(8,909)	261
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(1,065)	209	129	113	(614)
Designated General Fund Reserves:					
Community Projects Fund	(57)				
Prior-Year Labor Agreements (2007-2011)	(26)				
Increase (Decrease) in Reserves	(83)				
Net General Fund Deficit	(982)				

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	46,509	8,800	1,431	14,864	71,604
Miscellaneous Receipts	2,297	16,839	3,800	1,094	24,030
Federal Receipts	0	45,205	1,971	79	47,255
Total Receipts	48,806	70,844	7,202	16,037	142,889
Disbursements:					
Local Assistance Grants	43,225	60,984	1,883	0	106,092
Departmental Operations:					
Personal Service	5,632	7,827	0	0	13,459
Non-Personal Service	1,771	4,888	0	47	6,706
General State Charges	5,235	2,623	0	0	7,858
Debt Service	0	0	0	6,484	6,484
Capital Projects	0	5	5,573	0	5,578
Total Disbursements	55,863	76,327	7,456	6,531	146,177
Other Financing Sources (Uses):					
Transfers from Other Funds	13,012	9,123	1,467	5,623	29,225
Transfers to Other Funds	(9,535)	(3,229)	(1,522)	(14,993)	(29,279)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	3,477	5,894	251	(9,370)	252
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(3,580)	411	(3)	136	(3,036)
Designated General Fund Reserves:					
Prior-Year Labor Agreements (2007-2011)	10				
Increase (Decrease) in Reserves	10				
Net General Fund Deficit	(3,590)				

Source: NYS DOB

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2016
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	48,426	9,061	1,448	15,431	74,366
Miscellaneous Receipts	2,389	16,912	3,829	1,092	24,222
Federal Receipts	0	47,390	1,656	79	49,125
Total Receipts	50,815	73,363	6,933	16,602	147,713
Disbursements:					
Local Assistance Grants	45,489	63,544	1,552	0	110,585
Departmental Operations:					
Personal Service	5,915	8,088	0	0	14,003
Non-Personal Service	1,821	4,885	0	47	6,753
General State Charges	5,527	2,821	0	0	8,348
Debt Service	0	0	0	6,645	6,645
Capital Projects	0	5	5,371	0	5,376
Total Disbursements	58,752	79,343	6,923	6,692	151,710
Other Financing Sources (Uses):					
Transfers from Other Funds	13,383	9,523	1,363	5,369	29,638
Transfers to Other Funds	(9,802)	(3,096)	(1,527)	(15,273)	(29,698)
Bond and Note Proceeds	0	0	121	0	121
Net Other Financing Sources (Uses)	3,581	6,427	(43)	(9,904)	61
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(4,356)	447	(33)	6	(3,936)
Designated General Fund Reserves:					
Prior-Year Labor Agreements (2007-2011)	14				
Increase (Decrease) in Reserves	14				
Net General Fund Deficit	(4,370)				

Source: NYS DOB

CASHFLOW
GENERAL FUND
FY 2013
(dollars in millions)

	2012 April Results	May Results	June Results	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2013 January Projected	February Projected	March Projected	Total
OPENING BALANCE	1,787	5,637	2,018	2,935	2,575	1,272	4,098	3,056	1,935	1,327	5,342	5,721	1,787
RECEIPTS:													
Personal Income Tax	3,851	1,236	2,486	1,750	1,863	2,758	1,919	1,457	310	5,202	2,254	1,830	26,916
User Taxes and Fees	652	681	899	690	698	903	705	696	1,008	745	630	889	9,196
Business Taxes	205	42	1,044	95	107	1,072	102	270	1,181	100	118	1,699	6,035
Other Taxes	114	84	77	97	98	98	97	97	96	96	96	96	1,146
Total Taxes	4,822	2,043	4,506	2,632	2,766	4,831	2,823	2,520	2,595	6,143	3,098	4,514	43,293
Licenses, Fees, etc.	40	3	61	50	60	72	68	59	72	60	63	70	678
Abandoned Property	39	19	21	32	18	77	23	250	12	5	24	265	785
ABC License Fee	6	6	5	4	3	4	3	4	4	4	4	4	51
Motor vehicle fees	6	0	(8)	0	0	0	0	17	17	17	17	33	99
Reimbursements	2	(9)	72	2	18	36	20	36	33	18	29	55	312
Investment Income	1	0	0	1	1	1	1	1	1	1	1	1	10
Other Transactions	22	74	265	32	21	334	65	31	115	21	46	393	1,419
Total Miscellaneous Receipts	116	93	416	121	121	524	180	398	254	126	184	821	3,354
Federal Grants	4	14	0	0	0	13	0	0	13	0	0	16	60
PIT in Excess of Revenue Bond Debt Service	1,283	225	1,007	502	217	1,098	393	183	1,000	956	398	988	8,250
Sales Tax in Excess of LGAC Debt Service	190	55	430	213	153	280	219	217	282	231	3	157	2,430
Real Estate Taxes in Excess of CW/CA Debt Service	57	45	33	48	73	41	39	27	31	28	32	15	469
All Other	0	84	(20)	2	15	18	82	14	27	34	83	700	1,039
Total Transfers from Other Funds	1,530	409	1,450	765	458	1,437	733	441	1,340	1,249	516	1,860	12,188
TOTAL RECEIPTS	6,472	2,559	6,372	3,518	3,345	6,805	3,736	3,359	4,202	7,518	3,798	7,211	58,895
DISBURSEMENTS:													
School Aid	133	2,730	1,705	110	540	1,297	710	1,055	1,560	265	448	6,450	17,003
Higher Education	16	18	379	268	298	51	471	22	238	33	304	488	2,586
All Other Education	3	61	332	88	425	99	57	280	181	81	188	166	1,961
Medicaid - DOH	931	1,029	712	994	1,291	534	1,036	1,230	584	863	806	594	10,604
Public Health	1	11	29	27	73	112	88	41	70	75	37	100	664
Mental Hygiene	1	0	379	0	0	394	147	0	380	108	150	386	1,945
Children and Families	3	14	130	108	212	223	75	75	221	112	78	291	1,542
Temporary & Disability Assistance	61	327	145	157	134	104	100	100	100	100	30	126	1,484
Transportation	0	24	0	0	24	0	0	24	15	0	10	1	98
Unrestricted Aid	0	12	294	1	1	95	9	1	206	6	8	144	777
All Other	2	(8)	195	57	63	75	(29)	46	46	179	179	199	1,004
Total Local Assistance Grants	1,151	4,218	4,300	1,810	3,061	2,984	2,664	2,874	3,601	1,822	2,238	8,945	39,668
Personal Service	596	631	549	470	557	422	660	463	434	522	433	433	6,170
Non-Personal Service	52	145	142	162	156	153	164	131	154	150	183	243	1,835
Total State Operations	648	776	691	632	713	575	824	594	588	672	616	676	8,005
General State Charges	413	442	90	269	445	221	366	359	143	264	148	1,339	4,499
Debt Service	506	0	(55)	418	(4)	(110)	507	0	(2)	468	(18)	(146)	1,564
Capital Projects	(116)	113	102	39	86	(65)	64	84	172	100	40	436	1,055
State Share Medicaid	8	441	248	474	252	341	191	283	246	149	371	(29)	2,975
SUNY Operations	0	0	0	180	0	0	0	160	0	0	0	0	340
Other Purposes	12	188	79	56	95	33	162	126	62	28	24	237	1,102
Total Transfers to Other Funds	410	742	374	1,167	429	199	924	653	478	745	417	498	7,036
TOTAL DISBURSEMENTS	2,622	6,178	5,455	3,878	4,648	3,979	4,778	4,480	4,810	3,503	3,419	11,458	59,208
Excess/(Deficiency) of Receipts over Disbursements	3,850	(3,619)	917	(360)	(1,303)	2,826	(1,042)	(1,121)	(608)	4,015	379	(4,247)	(313)
CLOSING BALANCE	5,637	2,018	2,935	2,575	1,272	4,098	3,056	1,935	1,327	5,342	5,721	1,474	1,474

Source: NYS DOB

Annual Information Statement

State of New York

May 11, 2012

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ANNUAL INFORMATION STATEMENT
STATE OF NEW YORK
DATED: MAY 11, 2012

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INTRODUCTION

This Annual Information Statement (the "AIS") is dated May 11, 2012 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 May 24, 2011 and all updates and supplements issued in connection therewith. This AIS is scheduled to be updated on a quarterly basis 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 "Financial Plan" or "Enacted Budget") for fiscal year 2013[1] ("FY 2013") issued by the Division of the Budget ("DOB") in April 2012. The Enacted Budget Financial Plan sets forth the State's official Financial Plan projections for FYs 2013 through 2016. It includes, among other things, the major components of the gap-closing plan approved for FY 2013, projected annual spending growth, 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 these sections of the AIS.

[1] The fiscal year is identified by the calendar year in which it ends. For example, fiscal year 2013 is the fiscal year that began on April 1, 2012 and ends on March 31, 2013.

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. Note that all FY 2012 financial results contained within this AIS are unaudited and preliminary.

The annual independent audit of the State's Basic Financial Statements will be completed in July 2012. Pursuant to statute, the Comptroller's Annual Report to the Legislature on State Funds Cash Basis of Accounting and the State's Basic Financial Statements are due by July 29, 2012, at which time the FY 2012 financial results will be final.

In addition to regularly scheduled quarterly updates to the 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 issuances. 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) 474-2302.

OSC issued the Basic Financial Statements for FY 2011 in July 2011. The Basic Financial Statements for FY 2012 are expected to be available in late July 2012. Copies 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.

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 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 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, the State Finance Law, and the Legislative 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 General Fund 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, 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 2012 (ENDING MARCH 31, 2012) SUMMARY RESULTS

Based on preliminary, unaudited results, the State ended FY 2012 in balance on a cash basis in the General Fund. Receipts, including transfers from other funds, totaled $56.9 billion. Disbursements, including transfers to other funds, totaled $56.5 billion. The State ended FY 2012 with a General Fund balance of $1.79 billion, an increase of $411 million from FY 2011 results. The closing balance consisted of $1.1 billion in the Tax Stabilization Reserve, $175 million in the Rainy Day Reserve, $102 million in the Community Projects Fund, $21 million in the Contingency Reserve, $75 million in an undesignated fund balance, and $283 million reserved for potential retroactive labor settlements. The State made a $100 million deposit to the Tax Stabilization Reserve at the close of the fiscal year, the first deposit to "rainy day" reserves since FY 2008.

Receipts for FY 2012 fell $314 million below projections reflected in the February 2012 AIS Update. Tax receipts were $182 million lower than expected, with stronger than anticipated Personal Income Tax ("PIT") collections ($166 million) more than offset by lower receipts from user taxes ($114 million), business taxes ($108 million), and other taxes ($126 million). Other sources of General Fund receipts (including transfers of balances from other funds of the State, miscellaneous receipts, and Federal grants) were $132 million below planned levels. This was due in part to the timing of receipts related to legal settlements ($75 million) and other transactions that did not occur at the levels expected in the Financial Plan. All planned tax refunds were made according to schedule.

Disbursements were $426 million lower than projections reflected in the February 2012 AIS Update. Disbursements for local assistance, agency operations, and debt service were below planned levels, reflecting the continuing impact of cost control measures imposed on discretionary spending, the conservative estimation of General Fund costs, and routine forecasting variances. The February 2012 AIS Update reflected assumptions that the State would pre-pay in FY 2012 certain debt service and pension costs (totaling approximately $235 million) that were due in FY 2013 and these pre-payments occurred as planned. See the description of FY 2012 in "Prior Fiscal Years" section herein for more information. Note that FY 2012 financial results included in this AIS are preliminary and unaudited.

FISCAL YEAR 2013 (ENDING MARCH 31, 2013) SUMMARY OUTLOOK

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

Prior to the enactment of the FY 2013 budget, the State faced a projected General Fund budget gap of $3.5 billion for FY 2013, and the budget gap in future years was projected at $3.6 billion in FY 2014, $5.0 billion in FY 2015, and $4.2 billion in FY 2016. Budget gaps represent 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.[2] The gap estimates are based on a number of assumptions and projections developed by DOB in consultation with other State agencies.

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

FINANCIAL PLAN OVERVIEW

PROJECTED SPENDING MEASURES AT-A-GLANCE *

TOTAL DISBURSEMENTS (millions of dollars)	FY 2012 Results	FY 2013 Enacted	Annual $ Change	Annual % Change
State Operating Funds	**87,181**	**88,919**	**1,738**	**2.0%**
General Fund (excluding transfers)	50,633	51,784	1,151	2.3%
Other State Funds	30,639	31,024	385	1.3%
Debt Service Funds	5,909	6,111	202	3.4%
All Governmental Funds	**133,504**	**133,393**	**(111)**	**-0.1%**
State Operating Funds	87,181	88,919	1,738	2.0%
Capital Projects Funds	7,836	7,971	135	1.7%
Federal Operating Funds	38,487	36,503	(1,984)	-5.2%
General Fund with Transfers	**56,489**	**58,868**	**2,379**	**4.2%**
State Funds	**93,193**	**95,039**	**1,846**	**2.0%**

PROJECTED RECEIPTS AT-A-GLANCE*

TOTAL RECEIPTS (millions of dollars)	FY 2012 Results	FY 2013 Enacted	Annual $ Change	Annual % Change
Total Receipts	**132,745**	**133,272**	**527**	**0.4%**
Taxes	64,297	66,370	2,073	3.2%
Miscellaneous Receipts	23,837	24,269	432	1.8%
Federal Grants	44,611	42,633	(1,978)	-4.4%

* Note that All Governmental Funds disbursements may exceed total receipts in a given fiscal year as the State draws down other available resources held in its various governmental fund balances.

PROJECTED ECONOMIC INDICATORS AT-A-GLANCE

NEW YORK STATE ECONOMIC INDICATORS PERCENT ANNUAL CHANGE	2012	2013
State Fiscal Year		
Inflation (CPI)	3.3%	2.2%
Calendar Year		
Personal Income	3.4%	4.3%
Wages	3.1%	5.1%
Nonagricultural Employment	1.1%	1.0%

Source: Moody's Analytics; NYS Department of Labor; and DOB.

OTHER KEY FINANCIAL MEASURES AT-A-GLANCE

OTHER FINANCIAL PLAN MEASURES (millions of dollars)	FY 2012 Results	FY 2013 Enacted
Total General Fund Reserves	$1,787	$1,819
Rainy Day Reserves	$1,306	$1,306
All Other Reserves	$481	$513
State Workforce (Subject to Direct Executive Control)[1]	119,579	121,841
Debt		
State Related Debt Outstanding	$56,375	$57,737
Debt Service as % All Funds Receipts	4.9%	5.0%
All Governmental Funds Spending	$133,504	$133,393
Medicaid (State Share)	$20,892	$21,826
School Aid (SFY)	$19,662	$20,039
All Other	$16,719	$16,913
Agency Operations	$24,044	$24,077
Debt Service	$5,864	$6,064
Capital Projects (State Funded)	$6,012	$6,120
Federal Funds	$40,311	$38,354
All Funds Spending (Including "Off-Budget" Capital)[2]	$134,979	$135,083

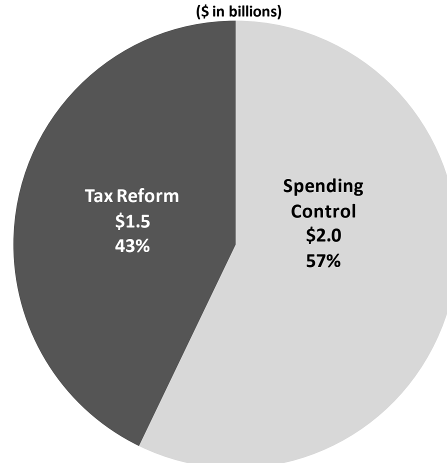
1 Workforce results are through February 2012.

2 "Off-Budget" Capital reflects spending that is financed directly from bond proceeds and not recorded in the State's accounting system ($1.48 billion in FY 2012 and $1.69 billion in FY 2013).

ENACTED BUDGET FOR FISCAL YEAR 2013

On March 27, 2012, the Governor and legislative leaders announced agreement on a budget for FY 2013. On March 30, 2012, the Legislature completed action on the appropriations and accompanying legislation needed to complete the budget. Consistent with past practice, the Legislature enacted the annual debt service appropriations without amendment in advance of the other appropriations (the debt service appropriations were passed on March 20, 2012). The Governor completed his review of all enacted budget bills, including the veto of certain line items which had no material impact on the Financial Plan, in early April.

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



DOB estimates that the gap-closing plan authorized in the Enacted Budget and the December 2011 legislative session, if implemented successfully, is sufficient to eliminate the General Fund budget gap of $3.5 billion in FY 2013, and leaves budget gaps of approximately $950 million in FY 2014, $3.4 billion in FY 2015, and $4.1 billion in FY 2016. The authorized gap-closing plan consists of approximately $2 billion in savings that DOB characterizes as spending control and $1.5 billion in net new resources from tax reform initiatives approved in December 2011.

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

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS
SUMMARY OF CHANGES FROM "CURRENT SERVICES" GAP PROJECTIONS
(millions of dollars)

	FY 2013	FY 2014	FY 2015	FY 2016
"CURRENT SERVICES" GAP PROJECTIONS	**(3,500)**	**(3,624)**	**(5,044)**	**(4,246)**
FY 2013 Enacted Budget Actions	**3,500**	**2,674**	**1,629**	**116**
Spending Control	1,954	1,207	1,183	1,000
Agency Operations	1,282	1,058	779	791
Local Assistance	777	471	728	609
Debt Management	190	40	40	40
Initiatives/Investments	(295)	(362)	(364)	(440)
Tax Reform	1,546	1,697	1,028	(178)
Tax Reform (Gross Impact)	1,931	2,034	1,335	79
MTA Payroll Tax Small Business Relief	(250)	(250)	(250)	(250)
Tax Credits/Other Initiatives	(135)	(87)	(57)	(7)
Other Changes	0	(230)	(582)	(706)
TANF Child Care Replacement	(71)	(215)	(215)	(215)
Mental Hygiene System Funding	0	(100)	(200)	(300)
Tax Receipts Forecast	(106)	(40)	(140)	(140)
All Other	177	125	(27)	(51)
ENACTED BUDGET SURPLUS/(GAP) PROJECTIONS	**0**	**(950)**	**(3,415)**	**(4,130)**

SPENDING CONTROL

The Enacted Budget gap-closing plan reflects $2 billion in anticipated savings (compared to the current services projections) from the following:

- Savings from State agency operations are expected to total $1.3 billion. Savings are expected to be achieved through additional redesign and cost-control efforts begun 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 functions; and a range of operational measures to improve efficiency. The total cost of State Operating Funds agency operations, which consist of personal service, fringe benefit, and non-personal service costs, is estimated at $24.1 billion in FY 2013, virtually unchanged from FY 2012 results.

- Savings actions in local assistance are expected to total $777 million. The most significant action repeals the automatic "cost-of-living" increases and trend factors in FY 2013 for all human service providers. Other savings consist primarily of the continuation of programmatic cost controls. Disbursements for State Operating Funds local assistance are projected to total $58.8 billion in FY 2013, an annual increase of 2.6 percent.

- The Enacted Budget funds School Aid (on a school year basis) at a level consistent with the growth in State personal income, and Medicaid at the long-term average of the medical component of the CPI. In FY 2013, State funding for both programs is expected to increase by approximately 4 percent from their 2012 levels.

- In FY 2012, the State paid $135 million in debt service that was due in FY 2013. This had the effect of lowering the gap in FY 2013 by the amount of the prepayment. Additional savings are expected across the plan period through a range of debt management actions, including refundings that meet DOB's savings criteria.

- The Enacted Budget Financial Plan includes local government mandate relief, including a three-year phased-in State takeover of the full cost of annual growth in the Medicaid program, and responsibilities for Medicaid administration over a period of five years.

As in any year, the gap-closing plan is subject to a number of risks, including the State's ability to implement the substantial reductions (from current services levels) expected in agency operations. See "Other Matters Affecting the Enacted Budget Financial Plan" herein.

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. Of this amount, approximately $250 million will be used to mitigate the impact on the MTA from New York State tax law changes to the MTA mobility tax, and $135 million will be used for tax credits and employment initiatives.

OTHER CHANGES

The Financial Plan provides sufficient resources in FY 2013 to cover essential new costs. These costs include funding to maintain child care slots that would otherwise be lost due to a reduction in Federal aid and ongoing efforts to allow individuals currently residing in State-operated Developmental

Centers to be placed in more clinically appropriate settings, starting in FY 2014, as Federal aid declines due, in part, to revised census and rate projections. In addition, the Enacted Budget Financial Plan assumes the State will increase its annual pension contribution, starting in FY 2014, above the minimum level required under the amortization legislation,[3] thereby lowering long-term interest costs. In FY 2013, these costs are expected to be fully offset by other savings. In addition, DOB has marginally reduced its forecast for tax receipts over the multi-year Financial Plan period. This reflects the impact of year-end results for FY 2012 and input from the consensus revenue forecasting process that took place in March 2012.

PROJECTED CLOSING BALANCES

DOB estimates that the General Fund will end FY 2013 with a balance of $1.8 billion. The closing balance depends on successful implementation of the gap-closing plan. The following table summarizes the change in balances within the General Fund over the past two fiscal years.

GENERAL FUND ESTIMATED CLOSING BALANCES
(millions of dollars)

	FY 2011 Results	Change	FY 2012 Results	Change	FY 2013 Estimated
Projected Fund Balance	**1,376**	**411**	**1,787**	**32**	**1,819**
Statutory Reserves:					
Tax Stabilization Reserve Fund	1,031	100	1,131	0	1,131
Rainy Day Reserve Fund	175	0	175	0	175
Contingency Reserve Fund	21	0	21	0	21
Community Projects Fund	136	(34)	102	(45)	57
Reserved for:					
Prior Year Labor Agreements (2007-2011)	0	283	283	139	422
Undesignated Fund Balance	13	62	75	(62)	13

The Financial Plan includes the use of $62 million of the undesignated fund balance for gap-closing purposes in FY 2013. The remaining $13 million is expected to be available for debt management, consistent with prior years.

The Community Projects Fund, which finances discretionary (“member item”) grants allocated by the Legislature and the Governor, is expected to decrease by $45 million, reflecting the spend-down of the balance in this fund, and no additional deposits to this fund.

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 general salary increase pattern settlement for the FY 2008 through FY 2011 period agreed to by the State’s largest unions. Reserves will be reduced when labor agreements for prior periods are reached.

Balances in the State’s principal reserve funds (Tax Stabilization Reserve, Rainy Day Reserve, and Contingency Reserve) are expected to remain unchanged at FY 2013 year-end from the FY 2012 level.

[3] Pension amortization legislation (Chapter 57 of the Laws of 2010) authorized the State to amortize a portion of its annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute.

ANNUAL SPENDING GROWTH

DOB estimates that State Operating Funds spending will total $88.9 billion in FY 2013, an increase of $1.7 billion (2.0 percent) from the preliminary FY 2012 results. All Governmental Funds spending is projected to total $133.4 billion, a decrease of $111 million (-0.1 percent) from the prior year.

STATE SPENDING MEASURES
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Annual Change	
			Dollar	Percent
State Operating Funds:				
Local Assistance	**57,267**	**58,773**	**1,506**	**2.6%**
School Aid	19,662	20,039	377	1.9%
Medicaid (DOH)	15,297	15,860	563	3.7%
Transportation	4,230	4,378	148	3.5%
Mental Hygiene	3,756	3,640	(116)	-3.1%
STAR	3,233	3,276	43	1.3%
Social Services	3,017	3,031	14	0.5%
Higher Education	2,608	2,618	10	0.4%
All Other	5,464	5,931	467	8.5%
State Operations/Fringe Benefits	**24,044**	**24,077**	**33**	**0.1%**
State Operations	**17,451**	**17,655**	**204**	**1.2%**
Executive Agencies:	9,593	9,652	59	0.6%
Personal Service	6,822	6,860	38	0.6%
Non-Personal Service	2,771	2,792	21	0.8%
State University	5,430	5,521	91	1.7%
City University	108	103	(5)	-4.6%
Elected Officials	2,320	2,379	59	2.5%
Fringe Benefits/Fixed Costs	**6,593**	**6,422**	**(171)**	**-2.6%**
Pension Contribution	1,697	1,600	(97)	-5.7%
Employee/Retiree Health Insurance	3,275	3,202	(73)	-2.2%
Other Fringe Benefits/Fixed Costs	1,621	1,620	(1)	-0.1%
Debt Service	**5,864**	**6,064**	**200**	**3.4%**
Capital Projects	**6**	**5**	**(1)**	**-16.7%**
TOTAL STATE OPERATING FUNDS	**87,181**	**88,919**	**1,738**	**2.0%**
Capital Projects (State Funded)	**6,012**	**6,120**	**108**	**1.8%**
TOTAL STATE FUNDS	**93,193**	**95,039**	**1,846**	**2.0%**
Federal Aid (Including Capital Grants)	**40,311**	**38,354**	**(1,957)**	**-4.9%**
TOTAL ALL GOVERNMENTAL FUNDS	**133,504**	**133,393**	**(111)**	**-0.1%**

Local assistance spending in FY 2013 is expected to increase by $1.5 billion, or 2.6 percent, over FY 2012 results. In FY 2013, State funding for School Aid (on a school year basis) and Medicaid are expected to increase by approximately 4 percent from 2012 levels, consistent with caps enacted in FY 2012. Medicaid spending increases by 4 percent, excluding the impact of the State's takeover of Medicaid administration (the growth rate in the table above reflects this impact). Transportation spending growth is the result of increased dedicated tax receipts and a State subsidy that are passed on to the MTA. Growth in other local assistance includes actions that temporarily reduced special education spending in FY 2012, as well as increases across several programs and activities. The annual reduction in mental hygiene programs reflects the expected impact of ongoing cost-containment efforts.

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 $171 million (-2.6 percent). The decline reflects lower pension costs due mainly to a $117 million prepayment of certain pension obligations in FY 2012 and a revision (or "reconciliation") of the State's FY 2011 pensionable salary base that will lower the State's pension bill in FY 2013, and lower employer contributions for employee and retiree health insurance costs due to the annualization of employee and retiree premium increases that were effective in mid-FY 2012. The State is continuing to amortize a portion of its annual pension costs above certain levels, consistent with legislation enacted in FY 2011.

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.

FISCAL YEAR 2013 ENACTED BUDGET GAP-CLOSING PLAN

The table below summarizes the Enacted 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 PROJECTIONS	**(3,500)**	**(3,624)**	**(5,044)**	**(4,246)**
Spending Control	**1,954**	**1,207**	**1,183**	**1,000**
Agency Operations	**1,282**	**1,058**	**779**	**791**
Agencies	679	350	(50)	52
Independent Officials	252	310	424	330
Enterprise/Consolidation	109	175	180	180
Health Insurance Rate Renewal	130	130	130	130
Fringe Benefits	112	93	95	99
Local Assistance	**777**	**471**	**728**	**609**
COLAs/Trends	150	170	170	120
Mental Hygiene	170	92	59	(8)
Social Services/Housing	162	77	190	180
Public Health	119	60	29	19
All Other	176	72	280	298
Debt Management	**190**	**40**	**40**	**40**
Initiatives/Investments	**(295)**	**(362)**	**(364)**	**(440)**
Local Medicaid Growth/Administrative Takeover	16	(23)	(83)	(181)
Agency Redesign - Enterprise Services	(43)	(65)	(26)	(16)
SSI Administration Takeover From Federal Government	(11)	(13)	(21)	(16)
Protection of Vulnerable Populations	(5)	(30)	(30)	(30)
Rural Rental Assistance	(6)	(6)	(6)	(6)
Joint Legislative Additions	(246)	(225)	(198)	(191)
Tax Reform	**1,546**	**1,697**	**1,028**	**(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	(10)	(10)	(5)	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
Other Changes	**0**	**(230)**	**(582)**	**(706)**
TANF Child Care Replacement	(71)	(215)	(215)	(215)
Mental Hygiene System Funding	0	(100)	(200)	(300)
Tax Receipts Forecast	(106)	(40)	(140)	(140)
All Other	177	125	(27)	(51)
ENACTED BUDGET SURPLUS/(GAP) PROJECTIONS	**0**	**(950)**	**(3,415)**	**(4,130)**

The sections below provide details on spending control and new costs in the Enacted Budget Financial Plan.

SPENDING CONTROL

The Enacted Budget authorizes $2.0 billion in savings from spending control. State Operating Funds spending in FY 2013 is expected to total $88.9 billion, an increase of 2.0 percent over the FY 2012 results.

STATE AGENCY OPERATIONS

Agency Operations include salaries, wages, fringe benefits, and non-personal service costs (i.e., utilities). State Operating Funds spending for agency operations is estimated at $24.1 billion in FY 2013, an increase of $33 million (0.1 percent) from the prior year. Reductions from the FY 2013 current-services forecast for agency operating costs contribute $1.3 billion to the General Fund gap-closing plan.

- **Agencies:** Continued workforce management through a 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 benefit costs. The size of the State's workforce that is subject to Executive control declined from 125,787 FTEs in FY 2011 to 119,579 FTEs in FY 2012. This reduction of over 6,200 FTEs has led to declines in certain fringe benefit costs. In addition, a revision to the State's pensionable salary base 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 include spending increases for FY 2013 (compared to the levels estimated at the time of the FY 2013 Executive Budget). 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/Consolidation:** Efforts to centralize and coordinate enterprise services, such as procurement of information technology services, software and mobile communications, office supplies, health services and pharmaceutical supplies, as well as rent reductions from statewide office space consolidations, are expected to reduce operational costs over the multi-year Financial Plan period. 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 also underway in information technology, grants management, call centers, business services, fleet management, and enterprise-wide licensing and permitting.

- **Fringe Benefits:** Savings are achieved by pre-paying certain pension obligations in FY 2012 to avoid annual interest costs ($35 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); requiring public authority employees and retirees with NYSHIP coverage to contribute toward the cost of Medicare Part B premium reimbursement ($11 million); and downward reductions to health insurance and workers' compensation spending estimates ($40 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 $58.8 billion in FY 2013, an increase of $1.5 billion (2.6 percent) from the prior 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 $777 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 Enacted Budget Financial Plan eliminates the planned FY 2013 3.6 percent human services "cost-of-living" increase and maintains 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.

- **Mental Hygiene:** Savings are expected through continued programmatic reviews of OMH providers; 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 by 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 the financing of child support administration; eliminating funding for a shelter supplement initiative; and phasing in the planned 10 percent increase in public assistance grants planned over two periods (5 percent in July 2012 and 5 percent in October 2012).

- **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 programs. These include cost-based revisions to School Aid based on updated claiming information from school districts and the estimated growth in State 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, the 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.

INITIATIVES/INVESTMENTS

- **Local Government Medicaid Growth/Administrative Takeover:** The Enacted Budget phases in a State takeover of growth in the local share of the Medicaid program and caps spending on local Medicaid administration at FY 2012 appropriated levels.

- **Agency Redesign - Enterprise Services:** The Enacted Budget reflects investments intended 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 over the multi-year Financial Plan from cost reductions, increased efficiency, and business transformation.

- **SSI Administration Takeover:** The State will take over administration of the State SSI benefit currently administered by the Federal government, eliminating the associated cost of living increase, which is expected to generate multi-year savings.

- **Protection of Vulnerable Populations:** Pursuant to recommendations of the Governor's Special Advisor on Vulnerable Persons, a new agency is expected to be established for receiving allegations of abuse and neglect of vulnerable persons in certain programs operated by State agencies, including Mental Hygiene, Children and Family Services, Health and Education. The new agency will also be responsible for investigating, prosecuting and implementing other disciplinary actions.

- **Rental Assistance Program:** Increased funding is included 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.

- **Joint Legislative Additions:** Relative to the Executive Budget proposal, the Enacted Budget includes increased financing for education, social services, economic development, environmental and agricultural programs, SUNY- and CUNY-operated community colleges, SUNY hospitals, mental hygiene, criminal justice, transportation construction, and other capital projects. In addition, the Executive and Legislature agreed to certain restorations and reductions of Executive Budget proposals, which are accounted for in the gap-closing plan under "Agency Operations" and "Local Assistance" in the table above.

OTHER CHANGES

- **TANF Child Care Replacement:** Less Federal TANF funding 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, are expected to reduce Federal Medicaid revenues.

- **Tax Receipts Forecast:** Tax receipts have been adjusted downward based on FY 2012 results and revised economic forecast assumptions. See "Financial Plan Projections Fiscal Years 2013 through 2016- Receipts" herein.

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 certain fiscal years, actual receipts collections have fallen substantially below the levels forecast in the Enacted Budget 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: national and international events, such as the Euro-zone financial crisis, 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 the impact of household debt reduction on consumer spending and State tax collections.

Among other factors, the Enacted Budget is subject to various other uncertainties and contingencies relating to the extent, if any, to which wage increases for State employees exceed projected annual wage costs; 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 Enacted Budget; the ability of the State to implement cost reduction initiatives, including reductions 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 herein. The projections and assumptions contained in the Enacted Budget Financial Plan are subject to revisions which may include substantial adverse changes. No assurance can be given that these estimates and projections, which depend in part upon 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 State's General Fund will end the current fiscal year in balance on a budgetary (cash) basis of accounting, or that the budget gaps will not increase materially from current projections. If such events 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; delays in or 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 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 Enacted 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 FY 2012, State-share Medicaid disbursements were consistent with DOB 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 Financial Plan, including payments pursuant to the Tribal State Compact that have failed to materialize in prior years; 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 Financial Plan in the current year or future years.

STATUS OF CURRENT LABOR NEGOTIATIONS

The State has a five-year labor contract (FYs 2012 through 2016) with the State's largest union, CSEA, and a four-year labor contract (FYs 2012 through 2015) 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. Employee compensation during FY 2013 will be temporarily reduced through a Deficit Reduction program, as was the case during FY 2012. 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 FY 2013 reductions in equal consecutive installments starting in FY 2017, and employees represented by PEF will be repaid the value of FY 2012 and FY 2013 reductions in equal consecutive installments starting in FY 2016. The agreements also include substantial increases paid by employees for insurance costs.

Under the agreements, employees in these unions were provided 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. Similar agreements have been reached with NYSPBA (representing the APSU bargaining unit, formerly ALES) for FY 2006 through FY 2015; NYSCOPBA (non-arbitration eligible members) for FY 2010 through FY 2016; and Council 82 for FY 2010 through FY 2016.

The State is currently engaged in negotiations with other unions, which represent approximately 35 percent of the State workforce. The two largest of these unions are UUP, which represents faculty and non-teaching professional staff within the State University system, and NYSCOPBA (arbitration eligible members), which represents the State's correction officers.

LABOR SETTLEMENTS FOR PRIOR CONTRACT PERIODS

The Enacted Budget 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 2012. 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 Enacted Budget reflects assumed salary increases, at the level set forth in the commission's multi-year plan, in the Judiciary's current budget projections.

CURRENT CASH-FLOW PROJECTIONS

The State authorizes the General Fund to borrow resources temporarily from 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 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 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.

In FY 2012, the General Fund used STIP to meet certain payment obligations during April 2011, and repaid such amounts by the end of the same month.

Based on current information, DOB expects that the State will have sufficient liquidity to make payments as they become due throughout FY 2013, but that the General Fund may, from time to time, need to borrow resources temporarily from other funds in STIP. 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. 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.

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

	General Fund	Other Funds	All Funds
April	4,332	2,507	6,839
May	1,293	3,146	4,439
June	2,121	2,364	4,485
July	2,206	2,994	5,200
August	1,242	3,853	5,095
September	4,271	1,419	5,690
October	3,440	1,925	5,365
November	2,555	2,810	5,365
December	2,051	1,346	3,397
January	5,961	2,911	8,872
February	6,108	3,464	9,572
March	1,819	1,813	3,632

PENSION AMORTIZATION

Under legislation enacted in FY 2011, the State and local governments may amortize (defer paying) a portion of their annual 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, in FY 2013 are 11.5 percent of payroll for the Employees Retirement System (ERS) and 19.5 percent for the Police and Fire Retirement System (PFRS), may be amortized.

The Enacted Budget Financial Plan assumes that the State will continue to 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, 10.5 percent in FY 2012 and is 11.5 percent in FY 2013, and is expected to be 12.5 percent in FY 2014, 13.5 percent in FY 2015 and 14.5 percent in FY 2016. The PFRS rate was 17.5 percent in FY 2011, 18.5 percent in FY 2012 and is 19.5 percent in FY 2013 and is expected to be 20.5 percent in FY 2014, 21.5 percent in FY 2015 and 22.5 percent in FY 2016. 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 is required to begin repayment of the amounts amortized beginning in the fiscal year immediately following the amortizations. Repayment of the amortized amounts is required to 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 February and March 2012, the State made pension payments that totaled $1.321 billion for FY 2012, and amortized $491 million. This payment included a $118 million pre-payment of certain outstanding liabilities. In addition, the State's Office of Court Administration (OCA) made its pension payment of $190 million, and amortized $72 million. The $563 million in total deferred payments will be repaid with interest over the next ten years, beginning in the current fiscal year, FY 2013. For amounts amortized in FY 2011, the State 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 Enacted Budget 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 3.75 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 DOB 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 3.75%
2011 Actual	1,552.8	(249.6)	0.0	0.0	1,303.2	0.0	0.0
2012 Actual	2,041.7	(562.9)	32.3	0.0	1,511.1	0.0	0.0
2013 Projected	2,088.5	(781.9)	100.9	0.0	1,407.5	0.0	0.0
2014 Projected	2,388.6	(770.6)	196.1	0.0	1,814.1	0.0	0.0
2015 Projected	2,683.7	(915.5)	289.9	0.0	2,058.1	0.0	0.0
2016 Projected	2,421.1	(553.9)	401.4	0.0	2,268.6	0.0	0.0
2017 Projected	2,317.1	(435.3)	468.8	0.0	2,350.6	0.0	0.0
2018 Projected	2,399.3	(343.4)	521.8	0.0	2,577.7	0.0	0.0
2019 Projected	2,434.4	(195.7)	563.6	0.0	2,082.3	0.0	0.0
2020 Projected	2,510.3	(93.2)	587.4	0.0	3,004.5	0.0	0.0
2021 Projected	2,649.7	(34.9)	598.8	0.0	3,213.6	0.0	0.0
2022 Projected	2,197.4	0.0	570.7	362.7	3,130.8	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	353.0
2025 Projected	1,528.9	0.0	0.0	831.8	2,360.7	1,172.1	1,229.2
2026 Projected	1,125.9	0.0	0.0	1,155.8	2,281.7	2,327.9	2,474.5

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 AIS include these costs.
2. Includes payments from amortization prior to FY 2011. Such prior amortization payments will end in FY 2016.

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 State’s Enacted Budget Financial Plan.

The Federal Budget Control Act (the “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 Enacted Budget Financial Plan and State economy, and the likelihood that it will be implemented in its current form. 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 may make adjustments to the Financial Plan as more definitive information becomes available.

In addition, the Enacted Budget 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, and, although no official audit commenced, the New York State OPWDD is working collaboratively with the Federal government to resolve concerns over reimbursement for services provided to individuals in developmental centers, and to create a contemporary and sustainable system of service funding and delivery for individuals with developmental disabilities. The rates paid for these services are established in full accordance with the methodology set forth in the approved State Plan, but adverse action by the Federal government relative to these claims could jeopardize a significant amount of Federal financial participation in the State Medicaid program.

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 is entitled to proceeds from a health care conversion, and such proceeds must be used for health-care-related expenses. The Enacted Budget Financial Plan counts on proceeds of $250 million in FY 2013 and $300 million annually in FYs 2014, 2015, and 2016, which would be deposited into the HCRA account. If a conversion does not occur on the timetable or at the levels assumed in the Enacted Budget, the State would be required to take other actions to increase available resources or to reduce planned spending in HCRA.

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. Litigation that meets the State's materiality threshold is described in "Litigation and Arbitration" herein. In addition, the State may be affected by adverse decisions that may not meet the materiality threshold to warrant individual description but that could, in the aggregate, adversely affect the State's Financial Plan.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

State employees become eligible for post-employment benefits (health insurance) if they reach retirement while working for the State with at least ten years of eligibility for membership in NYSHIP. 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 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 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 OPEB 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 OPEB actually 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 as of April 1, 2010. 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 $72.2 billion ($59.9 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 (cash) basis, and no funding is assumed for this purpose in the Financial Plan. The State continues to finance OPEB costs, along with all other employee health care expenses, on a PAYGO basis.

As noted, there is no provision in the Enacted Budget 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.

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 bonds. If the State cannot sell bonds at the levels (or on the timetable) expected in the capital plan, the State's overall cash position and capital funding plan may be affected adversely. 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.

DEBT REFORM ACT LIMIT

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. The State was in compliance with the statutory caps for the most recent calculation period (October 2011).

Current projections estimate that debt outstanding and debt service will continue to remain below the limits imposed by the Debt Reform Act. However, the State is continuing through a period of relatively limited debt capacity. Based on the most recent personal income and debt outstanding forecasts, the available capacity under the debt outstanding cap is expected to decline from $3.6 billion in FY 2012 to $602 million in FY 2014. The State is continuing to implement measures to address capital spending priorities and debt financing practices.

NEW DEBT OUTSTANDING - CAPPED AT 4 PERCENT OF PERSONAL INCOME (millions of dollars)					
Year	Personal Income	Cap %	Actual/ Recommended %	$ (Above)/Below	% (Above)/Below
FY 2012	983,868	4.00%	3.64%	3,552	0.36%
FY 2013	1,017,103	4.00%	3.85%	1,492	0.15%
FY 2014	1,061,148	4.00%	3.94%	602	0.06%
FY 2015	1,122,828	4.00%	3.92%	866	0.08%
FY 2016	1,183,444	4.00%	3.88%	1,408	0.12%
FY 2017	1,243,645	4.00%	3.79%	2,585	0.21%

NEW DEBT SERVICE COSTS - CAPPED AT 5 PERCENT OF ALL FUNDS RECEIPTS (millions of dollars)					
Year	All Funds Receipts	Cap %	Actual/ Recommended %	$ (Above)/Below	% (Above)/Below
FY 2012	132,745	4.65%	2.65%	2,652	2.00%
FY 2013	133,270	4.98%	2.85%	2,845	2.13%
FY 2014	138,792	5.00%	2.95%	2,848	2.05%
FY 2015	143,060	5.00%	3.03%	2,813	1.97%
FY 2016	147,856	5.00%	3.11%	2,793	1.89%
FY 2017	154,109	5.00%	3.15%	2,844	1.85%

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, 2012, there was approximately $503 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 eight 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 Enacted Budget 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 amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for four hospitals that currently are not meeting the terms of their agreement with DASNY. The State has additional exposure of up to a maximum of $39 million annually, if all additional hospitals in the program failed to meet the terms of their agreement with DASNY and if available reserve funds were depleted.

FINANCIAL PLAN PROJECTIONS
FISCAL YEARS 2013 THROUGH 2016

INTRODUCTION

This section presents the State's updated multi-year Financial Plan projections for receipts and disbursements, reflecting the impact of the FY 2013 Enacted Budget actions. The section includes preliminary FY 2012 results and projections for FYs 2013 through 2016, with an emphasis on the FY 2013 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 certain tax receipts.

- **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.

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, the first outyear of the FY 2013 budget, FY 2014, 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 2013 and leaves projected gaps that total approximately $950 million in FY 2014, $3.4 billion in FY 2015, and $4.1 billion in FY 2016. The net operating shortfalls in State Operating Funds is projected at $495 million in FY 2014, $2.8 billion in FY 2015, and $3.6 billion in FY 2016.

The annual 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 an updated economic forecast and a summary of the multi-year receipts and disbursements forecasts.

GENERAL FUND PROJECTIONS

GENERAL FUND PROJECTIONS
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Receipts					
Taxes (After Debt Service)	52,634	54,541	57,812	58,852	61,211
Miscellaneous Receipts/Federal Grants	3,222	3,289	2,831	2,297	2,389
Other Transfers	1,044	1,070	862	770	760
Total Receipts	**56,900**	**58,900**	**61,505**	**61,919**	**64,360**
Disbursements					
Local Assistance Grants	38,419	39,645	41,872	43,227	45,490
School Aid	16,778	16,986	17,832	18,641	19,585
Medicaid	10,301	10,604	11,158	11,454	12,332
All Other	11,340	12,055	12,882	13,132	13,573
State Operations	7,494	7,736	7,007	7,218	7,559
Personal Service	5,781	5,892	5,370	5,496	5,753
Non-Personal Service	1,713	1,844	1,637	1,722	1,806
General State Charges	4,720	4,403	4,834	5,179	5,470
Gross State Pension Contribution	1,697	1,600	2,012	2,257	2,467
Gross State Employee Health Insurance	3,275	3,202	3,411	3,670	3,951
Fringe Benefit Escrow Offset/Fixed Costs	(252)	(399)	(589)	(748)	(948)
Transfers to Other Funds	5,856	7,084	8,680	9,592	9,853
Debt Service	1,516	1,580	1,653	1,585	1,559
Capital Projects	798	1,055	1,293	1,408	1,301
State Share Medicaid	2,722	2,978	2,772	2,626	2,526
Mental Hygiene	0	8	803	1,732	2,320
School Aid - Lottery/VLT Aid Guarantee	55	45	0	0	0
SUNY - Disproportionate Share/Medicaid	225	228	228	228	228
SUNY - University Operations	0	340	982	1,001	1,021
SUNY - Hospital Operations Subsidy	60	81	88	88	88
Department of Transportation (MTA Tax)	22	279	332	334	334
Judiciary Funds	123	115	116	117	118
All Other	335	375	413	473	358
Total Disbursements	**56,489**	**58,868**	**62,393**	**65,216**	**68,372**
Change in Reserves	**411**	**32**	**62**	**118**	**118**
Budget Surplus/(Gap) Projections	**0**	**0**	**(950)**	**(3,415)**	**(4,130)**

STATE OPERATING FUNDS PROJECTIONS

STATE OPERATING FUNDS PROJECTIONS (millions of dollars)	FY 2012 Results	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Receipts					
Taxes	62,960	64,969	68,717	70,266	73,036
Miscellaneous Receipts/Federal Grants	19,656	20,072	20,306	20,124	20,384
Total Receipts	**82,616**	**85,041**	**89,023**	**90,390**	**93,420**
Disbursements					
Local Assistance Grants	57,267	58,773	61,879	63,915	66,264
School Aid	19,662	20,039	20,911	21,725	22,671
STAR	3,233	3,276	3,459	3,642	3,744
Other Education Aid	1,698	1,961	1,999	2,065	2,141
Higher Education	2,608	2,618	2,812	2,888	2,967
Medicaid (DOH incl. administration)	15,297	15,860	16,513	17,049	17,895
Public Health/Aging	2,104	2,041	2,219	2,315	2,169
Mental Hygiene	3,756	3,640	4,047	4,308	4,500
Social Services	3,017	3,031	3,434	3,431	3,563
Transportation	4,230	4,378	4,556	4,650	4,745
Local Government Assistance	754	777	789	801	803
All Other [1]	908	1,152	1,140	1,041	1,066
State Operations	17,451	17,655	17,900	18,400	19,057
Personal Service	12,047	12,165	12,366	12,683	13,188
Non-Personal Service	5,404	5,490	5,534	5,717	5,869
General State Charges	6,593	6,422	7,001	7,500	7,974
Pension Contribution	1,697	1,600	2,012	2,257	2,467
Health Insurance (Active Employees)	2,052	1,987	2,132	2,294	2,469
Health Insurance (Retired Employees)	1,223	1,215	1,279	1,376	1,482
All Other	1,621	1,620	1,578	1,573	1,556
Debt Service	5,864	6,064	6,401	6,522	6,655
Capital Projects	6	5	5	5	5
Total Disbursements	**87,181**	**88,919**	**93,186**	**96,342**	**99,955**
Net Other Financing Sources/(Uses)	4,443	4,127	3,668	3,173	2,981
Net Operating Surplus/(Deficit)	**(122)**	**249**	**(495)**	**(2,779)**	**(3,554)**
Reconciliation to General Fund Gap:					
Designated Fund Balances	**122**	**(249)**	**(455)**	**(636)**	**(576)**
General Fund	(411)	(32)	(62)	(118)	(118)
Special Revenue Funds	507	(82)	(281)	(382)	(452)
Debt Service Funds	26	(135)	(112)	(136)	(6)
General Fund Budget Gap	**0**	**0**	**(950)**	**(3,415)**	**(4,130)**

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

PRELIMINARY FY 2012 RESULTS AND FY 2013 FORECAST 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. Where noted, certain tables in the following section display General Fund tax receipts that exclude amounts transferred to the General Fund in excess of amounts needed for certain debt service obligations (e.g., personal income tax receipts in excess of amount transferred for debt service on revenue bonds). For a detailed description of revenue sources, see "Exhibit D - Principal State Taxes and Fees" herein.

OVERVIEW OF THE RECEIPTS FORECAST

- New York's recovery continued in FY 2012, but has been buffeted by double digit declines in financial sector bonus payments during the most recent bonus season, and a slowdown in taxable spending late in FY 2012, likely due to mild weather and high gas prices. The combination of the personal income tax reform enacted in December 2011 and trend economic growth are expected to yield a third consecutive year of receipts growth in FY 2013.

- After inching up 2.9 percent in FY 2011, base receipts adjusted for tax law changes grew by 7.4 percent in FY 2012 and are expected to increase by 6.2 percent in FY 2013.

- Corporate profits are expected to record a fourth consecutive year of growth in calendar year 2012, but growth will be at a lower trend rate when compared to the robust growth rates of recent years.

- Personal income tax liability growth is expected to slow somewhat in tax year 2012. Although the December 2011 tax law changes are expected to generate more revenue than the 2008 permanent law, they will generate less annual revenue than the high income surcharge in effect in tax year 2011. Double digit declines in financial sector bonus payments during the first quarter of 2012 will also contribute to the slowdown in liability growth.

- After accounting for law changes, consumer and business spending on taxable goods and services rose for the second consecutive year in FY 2012, growing 6.7 percent, and is estimated to rise 4 percent in FY 2013.

- The surge in oil prices 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.

All Funds receipts are projected to total $133.3 billion, an increase of $527 million from FY 2012 results. The table below summarizes the receipts projections for FY 2013 and FY 2014.

TOTAL RECEIPTS (millions of dollars)	FY 2012 Results	FY 2013 Enacted	Annual $ Change	Annual % Change	FY 2014 Projected	Annual $ Change	Annual % Change
General Fund	**56,900**	**58,900**	**2,000**	**3.5%**	**61,505**	**2,605**	**4.4%**
Taxes	41,754	43,369	1,615	3.9%	45,891	2,522	5.8%
Miscellaneous Receipts	3,162	3,229	67	2.1%	2,829	(400)	-12.4%
Federal Grants	60	60	0	0.0%	2	(58)	-96.7%
Transfers	11,924	12,242	318	2.7%	12,783	541	4.4%
State Funds	**88,111**	**90,598**	**2,487**	**2.8%**	**94,509**	**3,911**	**4.3%**
Taxes	64,297	66,370	2,073	3.2%	70,138	3,768	5.7%
Miscellaneous Receipts	23,669	24,083	414	1.7%	24,284	201	0.8%
Federal Grants	145	145	0	0.0%	87	(58)	-40.0%
All Funds	**132,745**	**133,272**	**527**	**0.4%**	**138,794**	**5,522**	**4.1%**
Taxes	64,297	66,370	2,073	3.2%	70,138	3,768	5.7%
Miscellaneous Receipts	23,837	24,269	432	1.8%	24,470	201	0.8%
Federal Grants	44,611	42,633	(1,978)	-4.4%	44,186	1,553	3.6%

Base growth of 6.2 percent in tax receipts is estimated for FY 2013, after adjusting for law changes, and is projected to be 5.6 percent in FY 2014. These projected increases in overall base growth in tax receipts are dependent on many factors:

- 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)	FY 2012 Results	FY 2013 Enacted	Annual $ Change	Annual % Change	FY 2014 Projected	Annual $ Change	Annual % Change
General Fund[1]	**25,843**	**26,916**	**1,073**	**4.2%**	**28,920**	**2,004**	**7.4%**
Gross Collections	46,030	47,702	1,672	3.6%	50,930	3,228	6.8%
Refunds/Offsets	(7,263)	(7,446)	(183)	2.5%	(7,757)	(311)	4.2%
STAR	(3,233)	(3,276)	(43)	1.3%	(3,460)	(184)	5.6%
RBTF	(9,691)	(10,064)	(373)	3.8%	(10,793)	(729)	7.2%
State/All Funds	**38,767**	**40,256**	**1,489**	**3.8%**	**43,173**	**2,917**	**7.2%**
Gross Collections	46,030	47,702	1,672	3.6%	50,930	3,228	6.8%
Refunds	(7,263)	(7,446)	(183)	2.5%	(7,757)	(311)	4.2%

[1] Excludes Transfers.

All Funds PIT receipts for FY 2013 are projected to be $40.3 billion, an increase of $1.5 billion (3.8 percent) from FY 2012. This primarily reflects increases in withholding and current estimated payments for tax year 2012, partially offset by a decrease in extension payments for tax year 2011 and an increase in total refund payments.

General Fund income tax receipts for FY 2013 of $26.9 billion are expected to increase by $1.1 billion (4.2 percent), from the prior year, mainly reflecting the increase in All Funds receipts noted above. However, a $373 million increase in deposits to the RBTF and a $43 million increase in deposits to the STAR fund partially offset this increase.

All Funds income tax receipts for FY 2014 of $43.2 billion are projected to increase $2.9 billion (7.2 percent) from the prior year. This increase primarily reflects increases of $2.1 billion (6.6 percent) in withholding, $842 million (30.9 percent) in extension payments related to tax year 2012 and $219 million (2.5 percent) in estimated payments related to tax year 2013 partially offset by a $311 million (4.2 percent) increase in total refunds. The strong projection for extension payments for tax year 2012 reflects an assumption of early realization of capital gains due to the projected sunset of the Bush tax cuts as scheduled starting with tax year 2013. Payments from final returns are expected to increase $49 million (2.5 percent) while delinquencies are projected to increase $35 million (3.2 percent) from the prior year.

General Fund income tax receipts for FY 2014 of $28.9 billion are projected to increase by $2 billion (7.4 percent). The RBTF deposit is projected to increase by $729 million.

PERSONAL INCOME TAX
(millions of dollars)

	FY 2014 Projected	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change
General Fund[1]	**28,920**	**29,612**	**692**	**30,614**	**1,002**
Gross Collections	50,930	53,120	2,190	55,044	1,924
Refunds/Offsets	(7,757)	(8,781)	(1,024)	(9,233)	(452)
STAR	(3,460)	(3,642)	(182)	(3,744)	(102)
RBTF	(10,793)	(11,085)	(292)	(11,453)	(368)
State/All Funds	**43,173**	**44,339**	**1,166**	**45,811**	**1,472**
Gross Collections	50,930	53,120	2,190	55,044	1,924
Refunds	(7,757)	(8,781)	(1,024)	(9,233)	(452)

[1] Excludes Transfers.

All Funds income tax receipts for FY 2015 of $44.3 billion are projected to increase $1.2 billion (2.7 percent) from the prior year. This change primarily reflects increases of $1.2 billion (3.5 percent) in withholding, $1 billion (11.5 percent) in estimated payments related to tax year 2014 partially offset by a $1 billion (13.2 percent) increase in total refunds and a $115 million decrease in final returns payments for tax year 2013. Extension payments for tax year 2013 are almost flat from the prior year with a $7 million (0.2 percent) decrease while delinquencies are projected to increase $51 million (4.7 percent) from the prior year. The increase in total refunds of $1 billion almost entirely reflects an increase in current refunds for tax year 2013.

General Fund income tax receipts for FY 2015 of $29.6 billion are projected to increase by $692 billion (2.4 percent). The increases in the All Funds receipts are partially offset by a $292 million increase in RBFT deposits and $182 million increase in STAR payments.

All Funds income tax receipts are projected to increase by nearly $1.5 billion (3.4 percent) in FY 2016 to reach $45.8 billion while General Fund receipts are projected to be $30.6 billion.

USER TAXES AND FEES

USER TAXES AND FEES
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Annual $ Change	Annual % Change	FY 2014 Projected	Annual $ Change	Annual % Change
General Fund*	**9,055**	**9,271**	**216**	**2.4%**	**9,626**	**355**	**3.8%**
Sales Tax	8,346	8,561	215	2.6%	8,922	361	4.2%
Cigarette and Tobacco Taxes	471	469	(2)	-0.4%	462	(7)	-1.5%
Alcoholic Beverage Taxes	238	241	3	1.3%	242	1	0.4%
State/All Funds	**14,571**	**14,921**	**350**	**2.4%**	**15,413**	**492**	**3.3%**
Sales Tax	11,876	12,205	329	2.8%	12,717	512	4.2%
Cigarette and Tobacco Taxes	1,633	1,615	(18)	-1.1%	1,585	(30)	-1.9%
Motor Fuel	501	515	14	2.8%	517	2	0.4%
Highway Use Tax	132	147	15	11.4%	142	(5)	-3.4%
Alcoholic Beverage Taxes	238	241	3	1.3%	242	1	0.4%
Taxicab Surcharge	87	89	2	2.3%	96	7	7.9%
Auto Rental Tax	104	109	5	4.8%	114	5	4.6%

*Excludes Transfers.

All Funds user taxes and fees receipts for FY 2013 are estimated to be $14.9 billion, an increase of $350 million (2.4 percent) from FY 2012. Sales tax receipts are expected to increase by $329 million (2.8 percent) from the prior year due to base growth (i.e., absent law changes) of 4 percent partially offset by a loss of $210 million from an increase in the clothing and footwear exemption threshold from $55 to $110. The remaining estimated increase of $21 million from FY 2012 is mainly from an increase in motor fuel and highway use tax collections offset by a decline in cigarette and tobacco collections. Motor fuel collections are expected to rebound with an increase in gasoline and diesel gallonage due to an improving economy. Highway use tax collections are estimated to increase due to the issuance of decals and a triennial registration year. The estimated decline in cigarette and tobacco tax collections reflects trend declines in taxable consumption.

General Fund user taxes and fees receipts are expected to total nearly $9.3 billion in FY 2013, an increase of $216 million (2.4 percent) from FY 2012. This increase mainly reflects growth in sales tax receipts ($215 million).

All Funds user taxes and fees receipts for FY 2014 are projected to be $15.4 billion, an increase of $492 million (3.3 percent) from FY 2013. The increase in sales tax receipts of $512 million (4.2 percent) reflects sales tax base growth of 3.4 percent. Cigarette and tobacco tax receipts primarily reflect the long-term trend decline from this revenue source.

General Fund user taxes and fees receipts are projected to total $9.6 billion in FY 2014, an increase of $355 million (3.8 percent) from FY 2013. This increase largely reflects the projected increases in All Funds sales tax receipts discussed above.

USER TAXES AND FEES (millions of dollars)	FY 2014 Projected	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change
General Fund*	**9,626**	**10,042**	**416**	**10,406**	**364**
Sales Tax	8,922	9,340	418	9,712	372
Cigarette and Tobacco Taxes	462	455	(7)	447	(8)
Alcoholic Beverage Taxes	242	247	5	247	0
State/All Funds	**15,413**	**15,989**	**576**	**16,502**	**513**
Sales Tax	12,717	13,303	586	13,829	526
Cigarette and Tobacco Taxes	1,585	1,556	(29)	1,526	(30)
Motor Fuel	517	520	3	523	3
Highway Use Tax	142	144	2	152	8
Alcoholic Beverage Taxes	242	247	5	247	0
Taxicab Surcharge	96	100	4	101	1
Auto Rental Tax	114	119	5	124	5

*Excludes Transfers.

All Funds user taxes and fees are projected to be nearly $16.0 billion in FY 2015 and $16.5 billion in FY 2016, representing increases of $576 million (3.7 percent) and $513 million (3.2 percent) respectively. These increases represent base growth in sales tax receipts, offset slightly by trend declines in cigarette tax collections.

BUSINESS TAXES

BUSINESS TAXES (millions of dollars)	FY 2012 Results	FY 2013 Enacted	Annual $ Change	Annual % Change	FY 2014 Projected	Annual $ Change	Annual % Change
General Fund	**5,760**	**6,038**	**278**	**4.8%**	**6,208**	**170**	**2.8%**
Corporate Franchise Tax	2,724	2,905	181	6.6%	3,009	104	3.6%
Corporation & Utilities Tax	617	652	35	5.7%	696	44	6.7%
Insurance Tax	1,257	1,322	65	5.2%	1,373	51	3.9%
Bank Tax	1,161	1,159	(2)	-0.2%	1,130	(29)	-2.5%
Petroleum Business Tax	1	0	(1)	-100.0%	0	0	0.0%
State/All Funds	**7,877**	**8,229**	**352**	**4.5%**	**8,463**	**234**	**2.8%**
Corporate Franchise Tax	3,176	3,360	184	5.8%	3,511	151	4.5%
Corporation & Utilities Tax	797	847	50	6.3%	894	47	5.5%
Insurance Tax	1,413	1,479	66	4.7%	1,539	60	4.1%
Bank Tax	1,391	1,381	(10)	-0.7%	1,319	(62)	-4.5%
Petroleum Business Tax	1,100	1,162	62	5.6%	1,200	38	3.3%

All Funds business tax receipts for FY 2013 are estimated at $8.2 billion, an increase of $352 million, or 4.5 percent from the prior year. The estimate reflects base growth across all taxes from an improving economy as well as an incremental increase of $71 million from the deferral of certain tax credits that was part of the FY 2011 Enacted Budget. Adjusted for this deferral, All Funds growth is 3.6 percent.

General Fund business tax receipts for FY 2013 of $6.0 billion are estimated to increase by $278 million (4.8 percent) from FY 2012 results. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

All Funds business tax receipts for FY 2014 of $8.5 billion are projected to increase $234 million (2.8 percent) from the prior year, reflecting growth across all business taxes except the bank tax. The decline in FY 2014 bank tax receipts is driven by an expected decrease in audit receipts.

General Fund business tax receipts for FY 2014 of $6.2 billion are projected to increase $170 million (2.8 percent) from the prior year.

BUSINESS TAXES
(millions of dollars)

	FY 2014 Projected	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change
General Fund	**6,208**	**5,713**	**(495)**	**6,291**	**578**
Corporate Franchise Tax	3,009	2,320	(689)	2,726	406
Corporation & Utilities Tax	696	718	22	741	23
Insurance Tax	1,373	1,414	41	1,487	73
Bank Tax	1,130	1,261	131	1,337	76
State/All Funds	**8,463**	**8,038**	**(425)**	**8,676**	**638**
Corporate Franchise Tax	3,511	2,855	(656)	3,289	434
Corporation & Utilities Tax	894	918	24	947	29
Insurance Tax	1,539	1,587	48	1,666	79
Bank Tax	1,319	1,472	153	1,562	90
Petroleum Business Tax	1,200	1,206	6	1,212	6

All Funds business tax receipts for FY 2015 and FY 2016 reflect projected trends in corporate profits, taxable insurance premiums, electric utility consumption and prices, the consumption of taxable telecommunications services, and automobile fuel consumption and fuel prices. Business tax receipts are projected to decline to $8.0 billion (5.0 percent) in FY 2015, and increase to $8.7 billion (7.9 percent) in FY 2016. The decline in FY 2015 reflects the first year of the repayment of deferred tax credits to taxpayers. General Fund business tax receipts over this period are expected to decline to $5.7 billion (8.0 percent) in FY 2015 and increase to $6.3 billion (10.1 percent) in FY 2016.

OTHER TAXES

OTHER TAXES (millions of dollars)	FY 2012 Results	FY 2013 Enacted	Annual $ Change	Annual % Change	FY 2014 Projected	Annual $ Change	Annual % Change
General Fund[1]	**1,096**	**1,144**	**48**	**4.4%**	**1,137**	**(7)**	**-0.6%**
Estate Tax	1,078	1,127	49	4.5%	1,120	(7)	-0.6%
Gift Tax	0	0	0	NA	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	**1,706**	**1,804**	**98**	**5.7%**	**1,847**	**43**	**2.4%**
Estate Tax	1,078	1,127	49	4.5%	1,120	(7)	-0.6%
Gift Tax	0	0	0	NA	0	0	0.0%
Real Property Gains Tax	0	0	0	NA	0	0	0.0%
Real Estate Transfer Tax	610	660	50	8.2%	710	50	7.6%
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 2013 are estimated to be $1.8 billion, an increase of $98 million (5.7 percent) from FY 2012. This mainly reflects a rise of $49 million (4.5 percent) in estate tax receipts and $50 million (8.2 percent) in the real estate transfer tax, which are the result of expected large estate payments in FY 2013 and strong commercial activity and improving vacancy rates in NYC, respectively.

General Fund other tax receipts are expected to be $1.1 billion in FY 2013, an increase of $48 million (4.4 percent) from FY 2012. This reflects the changes in the estate tax and pari-mutuel taxes noted above.

All Funds other tax receipts for FY 2014 are projected to be $1.8 billion, an increase of $43 million (2.4 percent) from FY 2013. This reflects growth in the real estate transfer tax slightly offset by a decline in estate tax receipts. General Fund other tax receipts are expected to total approximately $1.1 billion in FY 2014. This reflects a decrease of $7 million in estate tax receipts due to a forecast decrease in estate payments of $25 million or more ("super large" payments).

OTHER TAXES (millions of dollars)	FY 2014 Projected	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change
General Fund[1]	**1,137**	**1,222**	**85**	**1,222**	**0**
Estate Tax	1,120	1,205	85	1,205	0
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Pari-Mutuel Taxes	16	16	0	16	0
All Other Taxes	1	1	0	1	0
State/All Funds	**1,847**	**2,002**	**155**	**2,077**	**75**
Estate Tax	1,120	1,205	85	1,205	0
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Real Estate Transfer Tax	710	780	70	855	75
Pari-Mutuel Taxes	16	16	0	16	0
All Other Taxes	1	1	0	1	0

[1] Excludes Transfers.

The FY 2015 All Funds receipts projection for other taxes is $2.0 billion, an increase of $155 million (8.4 percent) from FY 2014. Modest growth in the estate tax is projected to follow expected increases in household net worth. Receipts from the real estate transfer tax are projected to increase slightly, reflecting the continuing rebound in the residential and commercial markets.

The FY 2016 All Funds receipts projection for other taxes is nearly $2.1 billion, an increase of $75 million (3.7 percent) from FY 2015. The forecast reflects continued increases in the real estate transfer tax as a result of increases in the value of real property transfers.

General Fund other tax receipts for FY 2015 and FY 2016 are expected to increase by $85 million and remain flat, respectively, consistent with the All Funds trends noted above.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Annual $ Change	Annual % Change	FY 2014 Projected	Annual $ Change	Annual % Change
General Fund	**3,222**	**3,289**	**67**	**2.1%**	**2,831**	**(458)**	**-13.9%**
Miscellaneous Receipts	3,162	3,229	67	2.1%	2,829	(400)	-12.4%
Federal Grants	60	60	0	0.0%	2	(58)	-96.7%
State Funds	**23,814**	**24,228**	**414**	**1.7%**	**24,371**	**143**	**0.6%**
Miscellaneous Receipts	23,669	24,083	414	1.7%	24,284	201	0.8%
Federal Grants	145	145	0	0.0%	87	(58)	-40.0%
All Funds	**68,448**	**66,902**	**(1,546)**	**-2.3%**	**68,656**	**1,754**	**2.6%**
Miscellaneous Receipts	23,837	24,269	432	1.8%	24,470	201	0.8%
Federal Grants	44,611	42,633	(1,978)	-4.4%	44,186	1,553	3.6%

All Funds miscellaneous receipts include moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are projected to total nearly $24.3 billion in FY 2013, an increase of $432 million from FY 2012, largely driven by growth in HCRA, SUNY, and lottery receipts, partially offset by a decline in mental hygiene receipts.

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, but timing sometimes varies. All Funds Federal grants are projected to total $42.6 billion in FY 2013, a decline of nearly $2.0 billion from the current year, reflecting the expiration of certain Federal ARRA moneys.

General Fund miscellaneous receipts and Federal grants collections are estimated to be $3.3 billion, an increase of $67 million (2.1 percent) from FY 2012 results.

All Funds miscellaneous receipts are projected to increase by $201 million in FY 2014, driven by increases in HCRA resources ($286 million) and SUNY Income Fund revenues ($232 million), partially offset by the General Fund decline that reflects the loss of certain one-time resources.

All Funds Federal grants are projected to increase by $1.6 billion in FY 2014, driven primarily by Medicaid spending.

General Fund miscellaneous receipts and Federal grants for FY 2014 are projected to decline by $458 million from FY 2013, and primarily reflect the loss of certain one-time sweeps and payments expected in FY 2013, including SONYMA and the 18-A utility assessment.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars)					
	FY 2014 Projected	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change
General Fund	**2,831**	**2,297**	**(534)**	**2,389**	**92**
Miscellaneous Receipts	2,829	2,297	(532)	2,389	92
Federal Grants	2	0	(2)	0	0
State Funds	**24,371**	**24,008**	**(363)**	**24,244**	**236**
Miscellaneous Receipts	24,284	23,923	(361)	24,159	236
Federal Grants	87	85	(2)	85	0
All Funds	**68,656**	**71,362**	**2,706**	**73,371**	**2,009**
Miscellaneous Receipts	24,470	24,109	(361)	24,345	236
Federal Grants	44,186	47,253	3,067	49,026	1,773

All Funds miscellaneous receipts decrease by $361 million in FY 2015, driven by the decline in General Fund resources, partially offset by increases in HCRA ($141 million) and SUNY Income Fund revenues ($161 million).

All Funds miscellaneous receipts increase by $236 million in FY 2016, driven by the increase in General Fund resources, augmented by increases in SUNY Income Fund revenues ($161 million).

Annual Federal grants growth of $3.1 billion in FY 2015 and $1.8 billion is primarily due to growth in Medicaid spending.

General Fund miscellaneous receipts and Federal grants are projected to total $2.3 billion in FY 2015, and increase to $2.4 billion in FY 2016.

DISBURSEMENTS

General Fund disbursements in FY 2013 are estimated to total $58.9 billion, an increase of $2.4 billion (4.2 percent) over preliminary FY 2012 results. State Operating Funds disbursements for FY 2013 are estimated to total $88.9 billion, an increase of $1.7 billion (2 percent) over preliminary FY 2012 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, State Operating Funds spending is expected to increase by an average annual rate of 3.5 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 changes are implemented by the Federal government as part of its deficit reduction plan.

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.

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 $58.8 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 by DOB in preparing the spending projections for the State's major programs and activities are summarized in the following tables.

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES

			Forecast		
	FY 2012 Results	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Medicaid					
Medicaid Caseload[1]	4,535,463	4,628,505	4,856,565	5,324,544	5,395,005
Family Health Plus Caseload	427,066	453,355	479,644	505,932	532,221
Child Health Plus Caseload	418,241	436,241	454,241	472,241	490,241
State Takeover of County/NYC Costs ($000)	$1,544	$1,467	$1,846	$2,458	$3,201
- Family Health Plus	$428	$515	$597	$682	$775
- Medicaid	$1,116	$952	$1,249	$1,776	$2,426
Education					
School Aid (School Year) ($000)	$19,542	$20,347	$21,059	$21,901	$22,908
Education Personal Income Growth Index	N/A	4.1	3.5	4.0	4.6
Higher Education					
Public Higher Education Enrollment (FTEs)	576,300	577,664	578,242	578,820	579,399
Tuition Assistance Program Recipients	309,334	310,633	310,633	310,633	310,633
Welfare					
Family Assistance Caseload[1]	385,180	374,822	363,077	352,880	343,935
Single Adult/No Children Caseload	180,338	178,207	176,780	175,786	175,622
Mental Hygiene					
Total Mental Hygiene Community Beds	87,984	91,793	96,330	100,588	101,393
- OMH Community Beds	36,179	39,431	43,097	46,616	47,366
- OPWDD Community Beds	39,101	39,621	40,404	41,077	41,077
- OASAS Community Beds	12,704	12,741	12,829	12,895	12,950
Prison Population (Corrections)	55,944	55,900	55,900	55,900	55,900

[1] FY 2012 results are subject to revision.

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 2013 Enacted Budget includes a two-year appropriation and continues to tie future increases in School Aid to the rate of growth in New York State personal income. School Aid funding will increase by $805 million (4.1 percent) in the 2012-13 school year, and by an estimated $712 million (3.5 percent) in the 2013-14 school year.

Over the multi-year financial plan, School Aid funding is expected to 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 that allowable growth shall include spending for new competitive performance 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) and certain other aid categories 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, phase-in increases in Foundation Aid or restoration of the GEA.

For the 2012-13 school year, this $805 million allowable increase includes $243 million in growth in expense-based aids and other miscellaneous aid categories under current law, a $400 million GEA restoration, a $112 million increase in Foundation Aid, and $50 million to support the first of three annual payments for the first round of performance grants. A second, expanded round of performance grants will be awarded in the 2012-13 school year from $75 million in annual funding outside the school aid growth limit.

School Aid is currently projected to increase by $712 million in the 2013-14 school year and $842 million in 2014-15. School Aid is projected to reach an annual total of $22.9 billion in the 2015-16 school year.

TOTAL SCHOOL AID - SCHOOL YEAR BASIS (JULY 1 - JUNE 30)
(millions of dollars)

SY 2012	SY 2013	Change	SY 2014	Change	SY 2015	Change	SY 2016	Change
$19,542	$20,347	$805	$21,059	$712	$21,901	$842	$22,908	$1,007
		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.

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

	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**19,662**	**20,039**	**1.9%**	**20,911**	**4.4%**	**21,725**	**3.9%**	**22,671**	**4.4%**
General Fund Local Assistance	16,778	16,986	1.2%	17,832	5.0%	18,641	4.5%	19,585	5.1%
Core Lottery Aid	2,147	2,187	1.9%	2,200	0.6%	2,195	-0.2%	2,197	0.1%
VLT Lottery Aid	682	821	20.4%	879	7.1%	889	1.1%	889	0.0%
General Fund Lottery/VLT Guarantee	55	45	-18.2%	0	-100.0%	0	0.0%	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 is 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.

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 (57 percent), the enhanced school property tax exemption for senior citizen homeowners with income under $79,050 (25 percent), and a flat refundable credit and rate reduction for New York City resident personal-income taxpayers (18 percent).

SCHOOL TAX RELIEF (STAR)
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**3,233**	**3,276**	**1.3%**	**3,459**	**5.6%**	**3,642**	**5.3%**	**3,744**	**2.8%**
Basic Exemption	1,856	1,859	0.2%	1,986	6.8%	2,125	7.0%	2,188	3.0%
Enhanced (Seniors)	807	829	2.7%	862	4.0%	898	4.2%	925	3.0%
New York City PIT	570	588	3.2%	611	3.9%	619	1.3%	631	1.9%

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 per household per 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 includes a new policy whereby the Department of Taxation and Finance will instruct local assessors to withhold the STAR exemption benefit from taxpayers who have a State-imposed and State-administered tax liability of $4,500 or more, and 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 financed the costs associated with schools for the blind and deaf in the first instance and will be reimbursed by the State in FY 2013, which drives a significant annual increase in FY 2013 spending.

OTHER EDUCATION
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**1,698**	**1,961**	**15.5%**	**2,000**	**2.0%**	**2,065**	**3.3%**	**2,141**	**3.7%**
Special Education	1,176	1,358	15.5%	1,456	7.2%	1,529	5.0%	1,604	4.9%
All Other Education	522	603	15.5%	544	-9.8%	536	-1.5%	537	0.2%

HIGHER EDUCATION

Local assistance for higher education spending includes funding for CUNY, SUNY and HESC. The State provides reimbursements to New York City for costs associated with 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. HESC administers the TAP program that provides awards to income-eligible students and provides centralized processing for other student financial aid programs. The financial aid programs that HESC administers are funded by the State and the Federal government.

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, not reflected in the annual local assistance spending totals for the universities provided in the table below. State debt service payments for higher education are expected to total over $1.2 billion in FY 2013.

HIGHER EDUCATION
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	2,608	2,618	0.4%	2,812	7.4%	2,888	2.7%	2,967	2.7%
City University	**1,203**	**1,220**	**1.4%**	**1,342**	**10.0%**	**1,405**	**4.7%**	**1,472**	**4.8%**
Operating Aid to NYC (Senior Colleges)	1,024	1,025	0.1%	1,149	12.1%	1,212	5.5%	1,279	5.5%
Community College Aid	178	194	9.0%	193	-0.5%	193	0.0%	193	0.0%
Community Projects	1	1	0.0%	0	-100.0%	0	0.0%	0	0.0%
Higher Education Services	**924**	**936**	**1.3%**	**1,001**	**6.9%**	**1,014**	**1.3%**	**1,026**	**1.2%**
Tuition Assistance Program	873	877	0.5%	935	6.6%	940	0.5%	946	0.6%
Aid for Part Time Study	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
Scholarships/Awards	39	47	20.5%	54	14.9%	62	14.8%	68	9.7%
State University	**481**	**462**	**-4.0%**	**469**	**1.5%**	**469**	**0.0%**	**469**	**0.0%**
Community College Aid[1]	444	457	2.9%	465	1.8%	465	0.0%	465	0.0%
Hospital Subsidy[2]	32	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Other	5	5	0.0%	4	-20.0%	4	0.0%	4	0.0%

[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 multi-year Financial 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, and increased support for the TAP program..

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

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.[4]

The Enacted Budget Financial Plan reflects continuation of the Medicaid spending cap enacted in FY 2012, and authorizes funding consistent with its provisions. The cap is based on the ten-year average change in the medical component of the CPI. 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, which were set to expire at the end of FY 2013, have been extended through FY 2014, pursuant to authorization included in the FY 2013 Enacted Budget Financial Plan. The cap itself remains in place and the Enacted Budget Financial Plan assumes that statutory authority will be extended in subsequent years.

[4] 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 Enacted Budget amends 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 County Fiscal Year 2013 (the county fiscal year is on a calendar year basis), with the State assuming all growth in County Fiscal Year 2015. This initiative is expected to save local governments nearly $1.2 billion through the next five State fiscal years.

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS [1] (millions of dollars)					
	FY 2012 Results	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Department of Health:					
State Share Without FMAP	16,000	15,606	16,513	17,049	17,895
Enhanced FMAP	(703)	254	0	0	0
DOH State Share With FMAP	15,297	15,860	16,513	17,049	17,895
Annual $ Change - DOH Only		563	653	536	846
Annual % Change - DOH Only		3.7%	4.1%	3.2%	5.0%
Other State Agencies:					
Mental Hygiene	5,403	5,810	6,206	6,508	6,868
Education	64	0	0	0	0
Foster Care	113	93	117	122	127
Corrections	0	12	12	12	13
State Operations - Contractual Expenses [2]	15	51	56	56	55
Total State Share (All Agencies)	**20,892**	**21,826**	**22,904**	**23,747**	**24,958**
Annual $ Change - Total State Share		934	1,078	843	1,211
Annual % Change - Total State Share		4.5%	4.9%	3.7%	5.1%

[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.

Factors affecting Medicaid spending over the Financial Plan period include Medicaid enrollment, costs of provider health care services (particularly in managed care), levels of service utilization and the expiration of enhanced Federal aid.[5] The number of Medicaid recipients, including FHP, is expected to total approximately 5.1 million at the end of FY 2013, an increase of 2.4 percent from the FY 2012 caseload. The expiration of the enhanced FMAP contributes to an increase in State-share spending of nearly $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

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

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 Enacted Budget includes authorization 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 Enacted Budget also provides Medicaid spending relief for all counties and New York City by reducing the growth in local Medicaid payments. These changes are expected to further provide fiscal and administrative relief to local governments, consistent with other legislation the State has enacted in recent years to reduce the tax burden on its citizens.

The State share of DOH Medicaid spending is financed from both the General Fund, as well as special revenue funding primarily through HCRA. The chart below provides information on the financing sources for State Medicaid spending.

DEPARTMENT OF HEALTH MEDICAID
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
State Operating Funds (Before FMAP) [1]	**16,000**	**15,606**	**-2.5%**	**16,513**	**5.8%**	**17,049**	**3.2%**	**17,895**	**5.0%**
Enhanced FMAP -- State Share [2]	(703)	254	-136.1%	0	-100.0%	0	0.0%	0	0.0%
State Operating Funds (After FMAP)	**15,297**	**15,860**	**3.7%**	**16,513**	**4.1%**	**17,049**	**3.2%**	**17,895**	**5.0%**
Total General Fund	10,301	10,604	2.9%	11,158	5.2%	11,454	2.7%	12,332	7.7%
Other State Funds Support	4,996	5,256	5.2%	5,355	1.9%	5,595	4.5%	5,563	-0.6%
HCRA Financing	3,392	3,672	8.3%	3,778	2.9%	4,018	6.4%	3,986	-0.8%
Indigent Care Support	777	792	1.9%	792	0.0%	792	0.0%	792	0.0%
Provider Assessment Revenue	827	792	-4.2%	785	-0.9%	785	0.0%	785	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.

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.

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 following section entitled “HCRA”.

PUBLIC HEALTH AND AGING (millions of dollars)	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	2,104	2,041	-3.0%	2,219	8.7%	2,315	4.3%	2,169	-6.3%
Public Health	**1,992**	**1,925**	**-3.4%**	**2,101**	**9.1%**	**2,190**	**4.2%**	**2,037**	**-7.0%**
Child Health Plus	344	334	-2.9%	369	10.5%	395	7.0%	409	3.5%
General Public Health Work	247	247	0.0%	270	9.3%	283	4.8%	288	1.8%
EPIC	169	151	-10.7%	231	53.0%	255	10.4%	267	4.7%
Early Intervention	167	164	-1.8%	164	0.0%	167	1.8%	171	2.4%
HCRA Program Account	435	452	3.9%	476	5.3%	478	0.4%	478	0.0%
F-SHRP	234	175	-25.2%	205	17.1%	205	0.0%	0	-100.0%
All Other	396	402	1.5%	386	-4.0%	407	5.4%	424	4.2%
Aging	**112**	**116**	**3.6%**	**118**	**1.7%**	**125**	**5.9%**	**132**	**5.6%**

Increased State support for the EPIC program authorized in the FY 2013 Enacted Budget, reinstituting more expansive coverage of Medicare Part D co-payments and co-insurance for enrollees outside of the existing coverage gap, is expected to drive a substantial portion of growth in the outyears of the Financial Plan. The spending growth related to EPIC coverage is partly financed by additional revenue generated from rebates received from drug manufacturers. Other spending growth over the Financial Plan period largely reflects costs associated with increased enrollment in the CHP program, as well as increased spending for GPHW, consistent with patterns in claiming from counties.

The decline in FY 2013 spending is due in large part to decreased Federal aid. The F-SHRP program 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 temporarily decline in FY 2013, since the more expansive coverage authorized in the FY 2013 Enacted Budget does not take effect until January 1, 2013. After FY 2014, EPIC coverage is expected to stabilize, while spending is projected to increase due to 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, and the Department of Financial Services. Extensions and modifications to HCRA continue to finance new health care programs, including CHP and FHP.

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 to health facilities, physician excess medical malpractice insurance, 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 reauthorization 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 supported by the General Fund. Conversely, any shortfall in HCRA Medicaid funding is expected to be financed by the General Fund.

HCRA FINANCIAL PLAN FY 2012 THROUGH FY 2016
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Opening Balance	**159**	**3**	**0**	**0**	**0**
Total Receipts	**5,317**	**5,921**	**6,184**	**6,303**	**6,281**
Surcharges	2,711	3,016	3,171	3,263	3,239
Covered Lives Assessment	1,018	1,045	1,045	1,045	1,045
Cigarette Tax Revenue	1,162	1,146	1,123	1,101	1,079
Conversion Proceeds	0	250	300	300	300
Hospital Assessments	367	394	417	444	469
NYC Cigarette Tax Transfer/Other	59	70	128	150	149
Total Disbursements	**5,473**	**5,924**	**6,184**	**6,303**	**6,281**
Medicaid Assistance Account	3,398	3,679	3,785	4,025	3,993
Medicaid Costs	*2,176*	*2,290*	*2,464*	*2,704*	*2,672*
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	461	476	499	501	501
Hospital Indigent Care	777	792	792	792	792
Elderly Pharmaceutical Insurance Coverage	102	162	246	270	282
Child Health Plus	350	342	377	403	417
Public Health Programs	137	129	129	129	129
All Other	248	344	356	183	167
Annual Operating Surplus/(Deficit)	**(156)**	**(3)**	**0**	**0**	**0**
Closing Balance	**3**	**0**	**0**	**0**	**0**

MENTAL HYGIENE

The Department of Mental Hygiene is comprised of four independent agencies, OMH, OPWDD, OASAS, and DDPC, which is funded entirely by Federal aid, 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 reimbursements 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 (millions of dollars)									
	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**3,756**	**3,640**	**-3.1%**	**4,047**	**11.2%**	**4,308**	**6.4%**	**4,500**	**4.5%**
People with Developmental Disabilities	**2,324**	**2,235**	**-3.8%**	**2,461**	**10.1%**	**2,571**	**4.5%**	**2,642**	**2.8%**
Residential Services	1,600	1,535	-4.1%	1,699	10.7%	1,779	4.7%	1,831	2.9%
Day Programs	613	588	-4.1%	650	10.5%	681	4.8%	700	2.8%
Clinic	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Other	86	87	1.2%	87	0.0%	86	-1.1%	86	0.0%
Mental Health	**1,124**	**1,090**	**-3.0%**	**1,247**	**14.4%**	**1,381**	**10.7%**	**1,486**	**7.6%**
Adult Local Services	938	909	-3.1%	1,042	14.6%	1,154	10.7%	1,242	7.6%
Children Local Services	186	181	-2.7%	205	13.3%	227	10.7%	244	7.5%
Alcohol and Substance Abuse	**307**	**314**	**2.3%**	**338**	**7.6%**	**355**	**5.0%**	**371**	**4.5%**
Outpatient/Methadone	131	135	3.1%	142	5.2%	148	4.2%	155	4.7%
Residential	112	116	3.6%	125	7.8%	132	5.6%	139	5.3%
Prevention	32	33	3.1%	38	15.2%	40	5.3%	41	2.5%
Crisis	17	17	0.0%	19	11.8%	20	5.3%	21	5.0%
Program Support	8	8	0.0%	9	12.5%	10	11.1%	10	0.0%
LGU Administration	7	5	-28.6%	5	0.0%	5	0.0%	5	0.0%
CQCAPD	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**

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 4.6 percent annually. This growth is attributable to increases in the projected State share of Medicaid costs and projected expansion of the 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 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.

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
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**1,413**	**1,488**	**5.3%**	**1,543**	**3.7%**	**1,441**	**-6.6%**	**1,469**	**1.9%**
SSI	730	741	1.5%	766	3.4%	664	-13.3%	691	4.1%
Public Assistance Benefits[1]	513	620	20.9%	657	6.0%	657	0.0%	657	0.0%
Welfare Initiatives	24	19	-20.8%	18	-5.3%	18	0.0%	18	0.0%
All Other	146	108	-26.0%	102	-5.6%	102	0.0%	103	1.0%

[1] 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 FY 2012 level. In the Safety Net Families program, an average of 119,791 families are expected to receive aid in FY 2013, an annual decrease of 2.9 percent. The caseload for single adults/childless couples supported through the Safety Net Families program is projected at 178,207, an annual 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 (millions of dollars)	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**1,604**	**1,543**	**-3.8%**	**1,891**	**22.6%**	**1,990**	**5.2%**	**2,094**	**5.2%**
Child Welfare Service	446	330	-26.0%	463	40.3%	508	9.7%	556	9.4%
Foster Care Block Grant	436	436	0.0%	464	6.4%	492	6.0%	521	5.9%
Adoption	181	175	-3.3%	182	4.0%	190	4.4%	199	4.7%
Day Care	143	220	53.8%	355	61.4%	354	-0.3%	354	0.0%
Youth Programs	109	125	14.7%	150	20.0%	155	3.3%	156	0.6%
Medicaid	113	93	-17.7%	117	25.8%	122	4.3%	127	4.1%
Committees on Special Education	64	39	-39.1%	42	7.7%	46	9.5%	51	10.9%
Adult Protective/Domestic Violence	33	34	3.0%	39	14.7%	44	12.8%	51	15.9%
All Other	79	91	15.2%	79	-13.2%	79	0.0%	79	0.0%

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.

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, within which 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 between 5 percent and 10 percent each year from FY 2014 to FY 2016.

TRANSPORTATION (millions of dollars)	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**4,230**	**4,378**	**3.5%**	**4,556**	**4.1%**	**4,650**	**2.1%**	**4,745**	**2.0%**
Mass Transit Operating Aid:	1,784	1,907	6.9%	1,907	0.0%	1,907	0.0%	1,907	0.0%
Metro Mass Transit Aid	1,645	1,762	7.1%	1,762	0.0%	1,762	0.0%	1,762	0.0%
Public Transit Aid	87	93	6.9%	93	0.0%	93	0.0%	93	0.0%
18-B General Fund Aid	27	27	0.0%	27	0.0%	27	0.0%	27	0.0%
School Fare	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Mobility Tax and MTA Aid Trust	1,725	1,742	1.0%	1,915	9.9%	2,007	4.8%	2,100	4.6%
Dedicated Mass Transit	674	683	1.3%	689	0.9%	691	0.3%	693	0.3%
AMTAP	45	45	0.0%	45	0.0%	45	0.0%	45	0.0%
All Other	2	1	-50.0%	0	-100.0%	0	0.0%	0	0.0%

Legislation enacted in December 2011 eliminates the MTA payroll tax for all elementary and secondary schools as well as for certain small businesses. The State is expected to compensate the MTA for the decrease in receipts from the December 2011 tax reduction which is expected to result in a net cost to the State of approximately $250 million per year.

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 Results	FY 2013 Enacted	Annual % Change	FY 2014 Projected	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change
Total State Operating Funds	**754**	**777**	**3.1%**	**789**	**1.5%**	**801**	**1.5%**	**803**	**0.2%**
AIM:									
Big Four Cities	429	429	0.0%	429	0.0%	429	0.0%	429	0.0%
Other Cities	218	218	0.0%	218	0.0%	218	0.0%	218	0.0%
Towns and Villages	68	68	0.0%	68	0.0%	68	0.0%	68	0.0%
Efficiency Incentives	6	25	316.7%	42	68.0%	58	38.1%	60	3.4%
All Other Local Aid	33	37	12.1%	32	-13.5%	28	-12.5%	28	0.0%

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 Financial Plan period.

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 (i.e., 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 (i.e., 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).

Selected assumptions used in preparing the spending projections for agency operations are summarized in the following table.

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

			Forecast		
	FY 2012 Results	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Negotiated Base Salary Increases [1]					
CSEA	0	0	0	2%	2%
PEF	0	0	0	2%	TBD
State Workforce [2]	119,579	121,841	122,142	122,142	122,142
ERS Pension Contribution Rate[3]					
Before Amortization	16.5%	19.4%	21.6%	23.1%	20.6%
After Amortization	10.5%	11.5%	12.5%	13.5%	14.5%
PFRS Pension Contribution Rate[3]					
Before Amortization	22.3%	26.9%	29.2%	31.3%	28.5%
After Amortization	18.5%	19.5%	20.5%	21.5%	22.5%
Employee/Retiree Health Insurance Growth Rates	6.0%	-2.7%	7.2%	8.3%	8.3%
PS/Fringe as % of Receipts (All Funds Basis)	14.7%	14.6%	14.6%	14.7%	14.9%

[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. This table reflects State workforce counts through February 2012.
[3] As Percent of Salary.

Growth in agency operating 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 the Department of 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.

STATE OPERATING FUNDS - AGENCY OPERATIONS (millions of dollars)	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Subject to Direct Executive Control	**9,594**	**9,652**	**0.6%**	**9,725**	**0.8%**	**9,982**	**2.6%**	**10,392**	**4.1%**
Mental Hygiene	2,941	2,961	0.7%	3,078	4.0%	3,186	3.5%	3,337	4.7%
Corrections and Community Supervision	2,472	2,391	-3.3%	2,445	2.3%	2,499	2.2%	2,630	5.2%
State Police	611	643	5.2%	649	0.9%	655	0.9%	668	2.0%
Public Health	540	555	2.8%	607	9.4%	629	3.6%	634	0.8%
Tax and Finance	383	393	2.6%	395	0.5%	406	2.8%	413	1.7%
Children and Family Services	293	316	7.8%	315	-0.3%	301	-4.4%	298	-1.0%
Environmental Conservation	245	235	-4.1%	235	0.0%	236	0.4%	239	1.3%
Financial Services	210	202	-3.8%	207	2.5%	209	1.0%	212	1.4%
Temporary and Disability Assistance	150	203	35.3%	205	1.0%	216	5.4%	214	-0.9%
Parks, Recreation and Historic Preservation	183	164	-10.4%	166	1.2%	169	1.8%	171	1.2%
Workers' Compensation Board	158	151	-4.4%	150	-0.7%	153	2.0%	156	2.0%
Lottery	140	161	15.0%	155	-3.7%	159	2.6%	159	0.0%
General Services	120	154	28.3%	138	-10.4%	133	-3.6%	136	2.3%
All Other	1,148	1,123	-2.2%	980	-12.7%	1,031	5.2%	1,125	9.1%
University System	**5,538**	**5,624**	**1.6%**	**5,735**	**2.0%**	**5,881**	**2.5%**	**6,022**	**2.4%**
State University	5,430	5,521	1.7%	5,630	2.0%	5,773	2.5%	5,912	2.4%
City University	108	103	-4.6%	105	1.9%	108	2.9%	110	1.9%
Independent Agencies	**295**	**304**	**3.1%**	**305**	**0.3%**	**313**	**2.6%**	**321**	**2.6%**
Law	160	165	3.1%	163	-1.2%	167	2.5%	171	2.4%
Audit & Control	135	139	3.0%	142	2.2%	146	2.8%	150	2.7%
Total, excluding Legislature and Judiciary	**15,427**	**15,580**	**1.0%**	**15,765**	**1.2%**	**16,176**	**2.6%**	**16,735**	**3.5%**
Judiciary	1,827	1,856	1.6%	1,914	3.1%	2,000	4.5%	2,095	4.8%
Legislature	197	219	11.2%	221	0.9%	224	1.4%	227	1.3%
Statewide Total	**17,451**	**17,655**	**1.2%**	**17,900**	**1.4%**	**18,400**	**2.8%**	**19,057**	**3.6%**
Personal Service	12,047	12,165	1.0%	12,366	1.7%	12,683	2.6%	13,188	4.0%
Non-Personal Service	5,404	5,490	1.6%	5,534	0.8%	5,717	3.3%	5,869	2.7%

In most years, there are 26 bi-weekly pay periods. However, in FY 2016 there is an one additional State institutional payroll, therefore an "extra" 27th pay period results in higher spending. In addition, in FY 2016 the State will begin repayment to State employees for portions of the Deficit Reduction program taken during FY 2012 and FY 2013 as part of negotiated workforce savings initiatives.

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 employee 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.

GENERAL STATE CHARGES
(millions of dollars)

	FY 2012 Results	FY 2013 Enacted	Change	FY 2014 Projected	Change	FY 2015 Projected	Change	FY 2016 Projected	Change
Total State Operating Funds	**6,593**	**6,422**	**-2.6%**	**7,001**	**9.0%**	**7,500**	**7.1%**	**7,974**	**6.3%**
Fringe Benefits	**6,217**	**6,069**	**-2.4%**	**6,646**	**9.5%**	**7,130**	**7.3%**	**7,605**	**6.7%**
Health Insurance	3,275	3,202	-2.2%	3,411	6.5%	3,670	7.6%	3,951	7.7%
Employee Health Insurance	2,052	1,987	-3.2%	2,132	7.3%	2,294	7.6%	2,469	7.6%
Retiree Health Insurance	1,223	1,215	-0.7%	1,279	5.3%	1,376	7.6%	1,482	7.7%
Pensions	1,697	1,600	-5.7%	2,012	25.8%	2,257	12.2%	2,467	9.3%
Social Security	914	931	1.9%	944	1.4%	969	2.6%	1,000	3.2%
All Other Fringe	331	336	1.5%	279	-17.0%	234	-16.1%	187	-20.1%
Fixed Costs	**376**	**353**	**-6.1%**	**355**	**0.6%**	**370**	**4.2%**	**369**	**-0.3%**

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.

GSCs are projected to increase at an average annual rate of 4.9 percent over the Financial Plan period. The annual decrease in FY 2013 is driven by the impact of collective bargaining agreements, workforce attrition 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. For more information on long-term pension costs, see the section on "Other Matters Affecting the Enacted Budget Financial Plan - Pension Amortization" herein.

TRANSFERS TO OTHER FUNDS (GENERAL FUND BASIS)

GENERAL FUND TRANSFERS TO OTHER FUNDS (millions of dollars)	FY 2012 Results	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Total Transfers to Other Funds	5,856	7,084	8,680	9,592	9,853
Medicaid State Share	2,722	2,978	2,772	2,626	2,526
Debt Service	1,516	1,580	1,653	1,585	1,559
Capital Projects	798	1,055	1,293	1,408	1,301
Dedicated Highway and Bridge Trust Fund	449	499	600	624	624
All Other Capital	349	556	693	784	677
All Other Transfers	820	1,471	2,962	3,973	4,467
Mental Hygiene	0	8	803	1,732	2,320
SUNY - Disproportionate Share/Medicaid	225	228	228	228	228
Judiciary Funds	123	115	116	117	118
School Aid - Lottery/VLT Aid Guarantee	55	45	0	0	0
SUNY - University Operations	0	340	982	1,001	1,021
SUNY - Hospital Operations	60	81	88	88	88
Banking Services	70	57	65	65	65
Statewide Financial System	36	48	55	55	55
Indigent Legal Services	40	40	40	40	40
Department of Transportation (MTA Tax)	22	279	332	334	334
Mass Transportation Operating Assistance	47	19	19	19	19
Alcoholic Beverage Control	16	17	19	20	20
Public Transportation Systems	12	12	12	12	12
Correctional Industries	10	10	10	10	10
OFT Centralized Tech Services	0	22	52	20	10
All Other	104	150	141	232	127

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 the DHBTF. The Fund receives dedicated tax and fee revenue from the Petroleum Business Tax, the Motor Fuel Tax, the Auto Rental Tax, highway use taxes, transmission taxes and motor vehicle fees administered by DMV. The Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF. The subsidy is required because the cumulative expenses of the fund – capital and operating expenses of DOT and DMV, debt service on DHBTF bonds and transfers for debt service on bonds that fund CHIPs and local transportation programs – exceed current and projected revenue deposits and bond proceeds.

Transfers to other funds are expected to total $7.1 billion in FY 2013, an annual increase of $1.3 billion, or 22 percent. This increase is mainly due to higher costs related to the Financial Plan re-categorization of SUNY operating support, supplementation to MTA for the recent payroll tax reduction, Medicaid State share, and capital projects.

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 (e.g., ESD, DASNY, and the 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)

	FY 2012 Results	FY 2013 Enacted	Annual Change	Percent Change
General Fund	**1,516**	**1,580**	**64**	**4.2%**
Other State Support	4,348	4,484	136	3.1%
State Operating Funds	**5,864**	**6,064**	**200**	**3.4%**

Total debt service is projected at $6.1 billion in FY 2013, of which $1.6 billion is financed via a General Fund transfer, 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.

Enacted Budget Financial Plan projections for debt service spending reflect the pre-payment of $135 million of SUNY debt service in March 2012. Otherwise, FY 2013 debt service estimates have been revised downward by approximately $84 million, primarily to reflect bond sale results to date and anticipated savings from refundings and other debt management actions. For more information on debt service, see the section on "Debt and Other Financing Activities" later in this AIS.

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

	FY 2012 Results	FY 2013 Enacted	Annual $ Change	Annual % Change
Opening Fund Balance	1,376	1,787	411	29.9%
Receipts:				
Taxes:				
Personal Income Tax	25,843	26,916	1,073	4.2%
User Taxes and Fees	9,055	9,271	216	2.4%
Business Taxes	5,760	6,038	278	4.8%
Other Taxes	1,096	1,144	48	4.4%
Miscellaneous Receipts	3,162	3,229	67	2.1%
Federal Receipts	60	60	0	0.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,097	8,272	175	2.2%
Sales Tax in Excess of LGAC Debt Service	2,396	2,456	60	2.5%
Real Estate Taxes in Excess of CW/CA Debt Service	387	444	57	14.7%
All Other Transfers	1,044	1,070	26	2.5%
Total Receipts	56,900	58,900	2,000	3.5%
Disbursements:				
Local Assistance Grants	38,419	39,645	1,226	3.2%
Departmental Operations:				
Personal Service	5,781	5,892	111	1.9%
Non-Personal Service	1,713	1,844	131	7.6%
General State Charges	4,720	4,403	(317)	-6.7%
Transfers to Other Funds:				
Debt Service	1,516	1,580	64	4.2%
Capital Projects	798	1,055	257	32.2%
State Share Medicaid	2,722	2,978	256	9.4%
SUNY Operations	0	340	340	--
Other Purposes	820	1,131	311	37.9%
Total Disbursements	56,489	58,868	2,379	4.2%
Excess (Deficiency) of Receipts Over Disbursements and Reserves	411	32	(379)	-92.2%
Closing Fund Balance	1,787	1,819	32	1.8%
Statutory Reserves				
Tax Stabilization Reserve Fund	1,131	1,131	0	
Rainy Day Reserve Fund	175	175	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	102	57	(45)	
Reserved For				
Prior-Year Labor Agreements (2007-2011)	283	422	139	
Undesignated Fund Balance	75	13	(62)	

Source: NYS DOB

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

	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Receipts:				
Taxes:				
Personal Income Tax	26,916	28,920	29,612	30,614
User Taxes and Fees	9,271	9,626	10,042	10,406
Business Taxes	6,038	6,208	5,713	6,291
Other Taxes	1,144	1,137	1,222	1,222
Miscellaneous Receipts	3,229	2,829	2,297	2,389
Federal Receipts	60	2	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,272	8,842	8,981	9,195
Sales Tax in Excess of LGAC Debt Service	2,456	2,579	2,706	2,832
Real Estate Taxes in Excess of CW/CA Debt Service	444	500	576	651
All Other Transfers	1,070	862	770	760
Total Receipts	58,900	61,505	61,919	64,360
Disbursements:				
Local Assistance Grants	39,645	41,872	43,227	45,490
Departmental Operations:				
Personal Service	5,892	5,370	5,496	5,753
Non-personal Service	1,844	1,637	1,722	1,806
General State Charges	4,403	4,834	5,179	5,470
Transfers to Other Funds:				
Debt Service	1,580	1,653	1,585	1,559
Capital Projects	1,055	1,293	1,408	1,301
State Share Medicaid	2,978	2,772	2,626	2,526
SUNY Operations	340	982	1,001	1,021
Other Purposes	1,131	1,980	2,972	3,446
Total Disbursements	58,868	62,393	65,216	68,372
Reserves:				
Community Projects Fund	(45)	(56)	0	0
Undesignated Fund Balance	(62)	0	0	0
Prior-Year Labor Agreements (2007-2011)	139	118	118	118
Increase (Decrease) in Reserves	32	62	118	118
Excess (Deficiency) of Receipts Over Disbursements and Reserves	0	(950)	(3,415)	(4,130)

Source: NYS DOB

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

	FY 2013 Enacted	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Taxes:				
Withholdings	32,748	34,817	36,032	37,947
Estimated Payments	11,602	12,663	13,702	13,560
Final Payments	2,203	2,266	2,151	2,251
Other Payments	1,149	1,184	1,235	1,286
Gross Collections	47,702	50,930	53,120	55,044
State/City Offset	(298)	(198)	(148)	(148)
Refunds	(7,148)	(7,559)	(8,633)	(9,085)
Reported Tax Collections	40,256	43,173	44,339	45,811
STAR (Dedicated Deposits)	(3,276)	(3,460)	(3,642)	(3,744)
RBTF (Dedicated Transfers)	(10,064)	(10,793)	(11,085)	(11,453)
Personal Income Tax	26,916	28,920	29,612	30,614
Sales and Use Tax	11,414	11,895	12,452	12,948
Cigarette and Tobacco Taxes	469	462	455	447
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	241	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	12,124	12,599	13,154	13,642
LGAC Sales Tax (Dedicated Transfers)	(2,853)	(2,973)	(3,112)	(3,236)
User Taxes and Fees	9,271	9,626	10,042	10,406
Corporation Franchise Tax	2,905	3,009	2,320	2,726
Corporation and Utilities Tax	652	696	718	741
Insurance Taxes	1,322	1,373	1,414	1,487
Bank Tax	1,159	1,130	1,261	1,337
Petroleum Business Tax	0	0	0	0
Business Taxes	6,038	6,208	5,713	6,291
Estate Tax	1,127	1,120	1,205	1,205
Real Estate Transfer Tax	660	710	780	855
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	1,804	1,847	2,002	2,077
Real Estate Transfer Tax (Dedicated)	(660)	(710)	(780)	(855)
Other Taxes	1,144	1,137	1,222	1,222
Payroll Tax	0	0	0	0
Total Taxes	43,369	45,891	46,589	48,533
Licenses, Fees, Etc.	678	689	621	612
Abandoned Property	785	670	655	655
Motor Vehicle Fees	99	26	26	26
ABC License Fee	51	50	50	50
Reimbursements	262	262	262	262
Investment Income	10	30	30	30
Other Transactions	1,344	1,102	653	754
Miscellaneous Receipts	3,229	2,829	2,297	2,389
Federal Grants	60	2	0	0
Total	46,658	48,722	48,886	50,922

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
Opening Fund Balance	1,787	1,632	428	3,847
Receipts:				
Taxes	43,369	8,142	13,458	64,969
Miscellaneous Receipts	3,229	15,707	996	19,932
Federal Receipts	60	1	79	140
Total Receipts	46,658	23,850	14,533	85,041
Disbursements:				
Local Assistance Grants	39,645	19,128	0	58,773
Departmental Operations:				
Personal Service	5,892	6,273	0	12,165
Non-Personal Service	1,844	3,599	47	5,490
General State Charges	4,403	2,019	0	6,422
Debt Service	0	0	6,064	6,064
Capital Projects	0	5	0	5
Total Disbursements	51,784	31,024	6,111	88,919
Other Financing Sources (Uses):				
Transfers from Other Funds	12,242	7,736	6,322	26,300
Transfers to Other Funds	(7,084)	(480)	(14,609)	(22,173)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	5,158	7,256	(8,287)	4,127
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	32	82	135	249
Closing Fund Balance	1,819	1,714	563	4,096

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	45,891	8,469	14,357	68,717
Miscellaneous Receipts	2,829	16,352	1,043	20,224
Federal Receipts	2	1	79	82
Total Receipts	48,722	24,822	15,479	89,023
Disbursements:				
Local Assistance Grants	41,872	20,007	0	61,879
Departmental Operations:				
Personal Service	5,370	6,996	0	12,366
Non-Personal Service	1,637	3,850	47	5,534
General State Charges	4,834	2,167	0	7,001
Debt Service	0	0	6,401	6,401
Capital Projects	0	5	0	5
Total Disbursements	53,713	33,025	6,448	93,186
Other Financing Sources (Uses):				
Transfers from Other Funds	12,783	8,731	6,188	27,702
Transfers to Other Funds	(8,680)	(247)	(15,107)	(24,034)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	4,103	8,484	(8,919)	3,668
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(888)	281	112	(495)
Designated General Fund Reserves:				
Community Projects Fund	(56)			
Prior-Year Labor Agreements (2007-2011)	118			
Increase (Decrease) in Reserves	62			
Net General Fund Deficit	(950)			

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	46,589	8,819	14,858	70,266
Miscellaneous Receipts	2,297	16,653	1,094	20,044
Federal Receipts	0	1	79	80
Total Receipts	48,886	25,473	16,031	90,390
Disbursements:				
Local Assistance Grants	43,227	20,688	0	63,915
Departmental Operations:				
Personal Service	5,496	7,187	0	12,683
Non-Personal Service	1,722	3,948	47	5,717
General State Charges	5,179	2,321	0	7,500
Debt Service	0	0	6,522	6,522
Capital Projects	0	5	0	5
Total Disbursements	55,624	34,149	6,569	96,342
Other Financing Sources (Uses):				
Transfers from Other Funds	13,033	9,103	5,691	27,827
Transfers to Other Funds	(9,592)	(45)	(15,017)	(24,654)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	3,441	9,058	(9,326)	3,173
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(3,297)	382	136	(2,779)
Designated General Fund Reserves:				
Prior-Year Labor Agreements (2007-2011)	118			
Increase (Decrease) in Reserves	118			
Net General Fund Deficit	(3,415)			

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2016
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	48,533	9,078	15,425	73,036
Miscellaneous Receipts	2,389	16,823	1,092	20,304
Federal Receipts	0	1	79	80
Total Receipts	50,922	25,902	16,596	93,420
Disbursements:				
Local Assistance Grants	45,490	20,774	0	66,264
Departmental Operations:				
Personal Service	5,753	7,435	0	13,188
Non-Personal Service	1,806	4,016	47	5,869
General State Charges	5,470	2,504	0	7,974
Debt Service	0	0	6,655	6,655
Capital Projects	0	5	0	5
Total Disbursements	58,519	34,734	6,702	99,955
Other Financing Sources (Uses):				
Transfers from Other Funds	13,438	9,500	5,444	28,382
Transfers to Other Funds	(9,853)	(216)	(15,332)	(25,401)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	3,585	9,284	(9,888)	2,981
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(4,012)	452	6	(3,554)
Designated General Fund Reserves:				
Prior-Year Labor Agreements (2007-2011)	118			
Increase (Decrease) in Reserves	118			
Net General Fund Deficit	(4,130)			

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
Opening Fund Balance	1,787	1,594	(449)	428	3,360
Receipts:					
Taxes	43,369	8,142	1,401	13,458	66,370
Miscellaneous Receipts	3,229	15,893	4,151	996	24,269
Federal Receipts	60	40,303	2,191	79	42,633
Total Receipts	46,658	64,338	7,743	14,533	133,272
Disbursements:					
Local Assistance Grants	39,645	53,781	2,104	0	95,530
Departmental Operations:					
Personal Service	5,892	6,918	0	0	12,810
Non-Personal Service	1,844	4,528	0	47	6,419
General State Charges	4,403	2,295	0	0	6,698
Debt Service	0	0	0	6,064	6,064
Capital Projects	0	5	5,867	0	5,872
Total Disbursements	51,784	67,527	7,971	6,111	133,393
Other Financing Sources (Uses):					
Transfers from Other Funds	12,242	7,737	1,328	6,322	27,629
Transfers to Other Funds	(7,084)	(4,464)	(1,479)	(14,609)	(27,636)
Bond and Note Proceeds	0	0	400	0	400
Net Other Financing Sources (Uses)	5,158	3,273	249	(8,287)	393
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	32	84	21	135	272
Closing Fund Balance	1,819	1,678	(428)	563	3,632

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	45,891	8,469	1,421	14,357	70,138
Miscellaneous Receipts	2,829	16,538	4,060	1,043	24,470
Federal Receipts	2	41,893	2,212	79	44,186
Total Receipts	48,722	66,900	7,693	15,479	138,794
Disbursements:					
Local Assistance Grants	41,872	56,407	2,107	0	100,386
Departmental Operations:					
Personal Service	5,370	7,611	0	0	12,981
Non-Personal Service	1,637	4,872	0	47	6,556
General State Charges	4,834	2,449	0	0	7,283
Debt Service	0	0	0	6,401	6,401
Capital Projects	0	5	5,808	0	5,813
Total Disbursements	53,713	71,344	7,915	6,448	139,420
Other Financing Sources (Uses):					
Transfers from Other Funds	12,783	8,732	1,545	6,188	29,248
Transfers to Other Funds	(8,680)	(4,006)	(1,533)	(15,107)	(29,326)
Bond and Note Proceeds	0	0	338	0	338
Net Other Financing Sources (Uses)	4,103	4,726	350	(8,919)	260
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(888)	282	128	112	(366)
Designated General Fund Reserves:					
Community Projects Fund	(56)				
Prior-Year Labor Agreements (2007-2011)	118				
Increase (Decrease) in Reserves	62				
Net General Fund Deficit	(950)				

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	46,589	8,819	1,431	14,858	71,697
Miscellaneous Receipts	2,297	16,839	3,879	1,094	24,109
Federal Receipts	0	45,203	1,971	79	47,253
Total Receipts	48,886	70,861	7,281	16,031	143,059
Disbursements:					
Local Assistance Grants	43,227	60,994	1,883	0	106,104
Departmental Operations:					
Personal Service	5,496	7,814	0	0	13,310
Non-Personal Service	1,722	4,929	0	47	6,698
General State Charges	5,179	2,616	0	0	7,795
Debt Service	0	0	0	6,522	6,522
Capital Projects	0	5	5,661	0	5,666
Total Disbursements	55,624	76,358	7,544	6,569	146,095
Other Financing Sources (Uses):					
Transfers from Other Funds	13,033	9,104	1,471	5,691	29,299
Transfers to Other Funds	(9,592)	(3,225)	(1,519)	(15,017)	(29,353)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	3,441	5,879	258	(9,326)	252
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(3,297)	382	(5)	136	(2,784)
Designated General Fund Reserves:					
Prior-Year Labor Agreements (2007-2011)	118				
Increase (Decrease) in Reserves	118				
Net General Fund Deficit	(3,415)				

Source: NYS DOB

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2016
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	48,533	9,078	1,448	15,425	74,484
Miscellaneous Receipts	2,389	17,009	3,855	1,092	24,345
Federal Receipts	0	47,291	1,656	79	49,026
Total Receipts	50,922	73,378	6,959	16,596	147,855
Disbursements:					
Local Assistance Grants	45,490	63,553	1,552	0	110,595
Departmental Operations:					
Personal Service	5,753	8,074	0	0	13,827
Non-Personal Service	1,806	4,892	0	47	6,745
General State Charges	5,470	2,812	0	0	8,282
Debt Service	0	0	0	6,655	6,655
Capital Projects	0	5	5,395	0	5,400
Total Disbursements	58,519	79,336	6,947	6,702	151,504
Other Financing Sources (Uses):					
Transfers from Other Funds	13,438	9,501	1,365	5,444	29,748
Transfers to Other Funds	(9,853)	(3,092)	(1,531)	(15,332)	(29,808)
Bond and Note Proceeds	0	0	121	0	121
Net Other Financing Sources (Uses)	3,585	6,409	(45)	(9,888)	61
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(4,012)	451	(33)	6	(3,588)
Designated General Fund Reserves:					
Prior-Year Labor Agreements (2007-2011)	118				
Increase (Decrease) in Reserves	118				
Net General Fund Deficit	(4,130)				

Source: NYS DOB

CASHFLOW
GENERAL FUND
FY 2013
(dollars in millions)

	2012 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2013 January Projected	February Projected	March Projected	Total
OPENING BALANCE	1,787	4,332	1,293	2,121	2,206	1,242	4,271	3,440	2,555	2,051	5,961	6,108	1,787
RECEIPTS:													
Personal Income Tax	3,514	1,287	2,680	1,782	1,913	2,873	1,811	1,473	371	5,253	2,173	1,786	26,916
User Taxes and Fees	711	694	904	727	706	913	710	701	926	754	639	886	9,271
Business Taxes	111	46	1,056	64	91	1,154	109	268	1,193	106	137	1,703	6,038
Other Taxes	95	95	96	95	96	96	95	95	95	95	95	96	1,144
Total Taxes	4,431	2,122	4,736	2,668	2,806	5,036	2,725	2,537	2,585	6,208	3,044	4,471	43,369
Licenses, Fees, etc.	46	64	56	50	60	72	48	59	72	50	43	58	678
Abandoned Property	1	1	40	32	18	77	23	300	12	5	24	252	785
ABC License Fee	4	5	4	4	5	4	5	4	4	4	4	4	51
Motor vehicle fees	0	0	0	0	0	0	0	17	17	17	17	31	99
Reimbursements	4	7	55	2	18	36	10	26	33	8	29	34	262
Investment Income	2	1	1	1	1	1	1	1	0	0	1	0	10
Other Transactions	21	129	131	31	21	334	65	31	114	20	46	401	1,344
Total Miscellaneous Receipts	78	207	287	120	123	524	152	438	252	104	164	780	3,229
Federal Grants	0	13	0	0	0	15	0	0	15	0	0	17	60
PIT in Excess of Revenue Bond Debt Service	1,171	287	1,028	512	223	1,136	412	174	1,020	933	404	972	8,272
Sales Tax in Excess of LGAC Debt Service	214	42	449	220	153	279	217	214	286	230	3	149	2,456
Real Estate Taxes in Excess of CW/CA Debt Service	65	46	32	44	44	42	41	22	31	31	32	14	444
All Other	26	1	54	1	2	31	43	2	38	3	68	801	1,070
Total Transfers from Other Funds	1,476	376	1,563	777	422	1,488	713	412	1,375	1,197	507	1,936	12,242
TOTAL RECEIPTS	5,985	2,718	6,586	3,565	3,351	7,063	3,590	3,387	4,227	7,509	3,715	7,204	58,900
DISBURSEMENTS:													
School Aid	157	2,500	1,887	115	510	1,300	510	950	1,500	410	590	6,557	16,986
Higher Education	22	8	566	115	298	51	461	22	216	33	305	489	2,586
All Other Education	14	316	69	144	391	89	60	284	176	73	186	154	1,956
Medicaid - DOH	842	1,168	652	1,043	1,297	576	1,185	1,158	588	907	788	400	10,604
Public Health	22	39	91	95	50	71	65	23	49	51	21	87	664
Mental Hygiene	0	1	377	1	1	394	166	1	382	115	124	385	1,947
Children and Families	75	75	199	75	75	223	75	75	221	112	78	259	1,542
Temporary & Disability Assistance	356	100	118	100	100	118	100	100	118	100	30	144	1,484
Transportation	0	24	0	0	24	0	0	24	15	0	10	1	98
Unrestricted Aid	2	14	299	2	2	97	11	2	207	2	2	137	777
All Other	35	38	170	49	37	86	(30)	44	41	172	167	192	1,001
Total Local Assistance Grants	1,525	4,283	4,428	1,739	2,785	3,005	2,603	2,683	3,513	1,975	2,301	8,805	39,645
Personal Service	603	622	569	453	573	442	403	452	415	518	422	420	5,892
Non-Personal Service	169	168	144	159	131	138	134	131	146	134	177	213	1,844
Total State Operations	772	790	713	612	704	580	537	583	561	652	599	633	7,736
General State Charges	324	360	181	193	415	286	304	353	207	302	230	1,248	4,403
Debt Service	507	0	(17)	445	(4)	(110)	547	0	(2)	379	(18)	(147)	1,580
Capital Projects	(22)	19	87	39	86	(65)	64	84	172	98	38	455	1,055
State Share Medicaid	174	269	247	234	252	281	191	283	246	164	379	258	2,978
SUNY Operations	0	0	0	180	0	0	0	160	0	0	0	0	340
Other Purposes	160	36	119	38	77	57	175	126	34	29	39	241	1,131
Total Transfers to Other Funds	819	324	436	936	411	163	977	653	450	670	438	807	7,084
TOTAL DISBURSEMENTS	3,440	5,757	5,758	3,480	4,315	4,034	4,421	4,272	4,731	3,599	3,568	11,493	58,868
Excess/(Deficiency) of Receipts over Disbursements	2,545	(3,039)	828	85	(964)	3,029	(831)	(885)	(504)	3,910	147	(4,289)	32
CLOSING BALANCE	4,332	1,293	2,121	2,206	1,242	4,271	3,440	2,555	2,051	5,961	6,108	1,819	1,819

Source: NYS DOB

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Appendix C

INFORMATION ON THE STATE UNIVERSITY OF NEW YORK

Schedule of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2007 through June 30, 2011 (1)
(in thousands)

Operating revenues (2)	2007	2008	2009	2010	2011
Tuition and fees	$ 1,244,601	$ 1,284,276	$ 1,407,900	$ 1,563,051	$ 1,622,706
Less scholarship allowances	(327,064)	(332,201)	(377,702)	(455,738)	(471,183)
Net tuition and fees	917,537	952,075	1,030,198	1,107,313	1,151,523
Federal grants and contracts	809,788	639,998	637,222	710,642	722,156
State and local grants and contracts	342,183	107,808	218,850	225,919	195,352
Private grants and contracts	269,842	275,416	312,078	328,484	328,899
Hospitals and clinics	1,621,458	1,595,895	1,723,164	1,876,918	2,011,711
Sales and services of auxiliary enterprises, net	679,853	730,913	780,300	818,545	840,091
Other sources	107,716	100,553	103,572	95,369	166,150
Total operating revenues	$ 4,748,377	$ 4,402,658	$ 4,805,384	$ 5,163,190	$ 5,415,882
Operating expenses					
Instruction	$ 1,911,300	$ 1,974,050	$ 2,044,597	$ 2,041,660	$ 2,200,938
Research	597,301	567,944	687,724	663,353	747,664
Public service	274,166	298,233	298,122	294,999	305,633
Academic support	387,427	420,120	433,336	440,222	481,184
Student services	237,152	257,000	263,481	258,394	265,461
Institutional support	792,914	835,074	808,493	809,068	832,877
Operations and maintenance of plant	588,256	631,140	578,467	586,812	622,675
Scholarships and fellowships	110,738	119,123	125,965	172,150	167,656
Hospitals and clinics	1,723,773	1,822,506	2,082,902	2,227,162	2,301,319
Auxiliary enterprises:					
Residence halls	261,387	309,746	308,703	313,026	330,232
Food service	190,711	206,567	215,741	225,713	236,802
Other	229,555	241,589	250,718	252,994	271,957
Depreciation and amortization expense	380,081	375,738	400,494	432,043	439,859
Other operating expenses	11,369	7,547	6,358	5,000	5,714
Total operating expenses	7,696,130	8,066,377	8,505,101	8,722,596	9,209,971
Operating loss	$(2,947,753)	$(3,663,719)	$ (3,699,717)	$(3,559,406)	$(3,794,089)
Non-operating and other revenues (expenses)					
State appropriations:					
Operations	$ 2,283,546	$ 2,515,293	$ 2,636,028	$ 2,504,033	$ 2,429,904
Debt service	626,599	455,427	426,887	461,686	491,800
Federal and state financial aid grants	-	349,944	386,176	485,083	529,502
Investment income (net of investment fees)	128,386	132,418	61,227	31,185	22,919
Net realized and unrealized gains (losses)	233,937	(35,418)	(389,287)	63,623	115,126
Gifts	47,567	99,306	70,529	97,795	64,479
Interest expense on capital related debt	(266,086)	(306,472)	(293,196)	(299,808)	(324,314)
Transfer to state university campus foundations	-	-	(287,563)	-	-
Capital appropriations, gifts and grants	64,196	78,171	52,775	77,386	95,448
Other non-operating revenues, net	15,099	38,965	1,800	(26,372)	(127,360)
Net non-operating and other revenues	$ 3,133,244	$ 3,327,634	$ 2,665,376	$ 3,301,730	$ 3,297,504
Change in net assets	$ 185,491	$ (336,085)	$(1,034,341)	$ (164,795)	$ (496,585)

(1) See Appendix C-1, notes to financial schedules for additional information.

(2) During the 2008-2011 fiscal years, Pell and other federal and state student financial aid revenue amounts were classified as non-operating revenue. In the 2007 fiscal year, these amounts are recorded in operating revenues.

NOTES TO FINANCIAL SCHEDULES

Note I – Classification Structure and Accounting Policies

The accompanying schedule of revenues, expenses, and changes in net assets have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The University reports as a special-purpose government engaged in business-type activities as defined by the GASB. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The Schedules of Revenues, Expenses, and Changes in Net Assets distinguish between operating and non-operating revenues and expenses. The University defines operating activities in the Schedules of Revenues, Expenses, and Changes in Net Assets as those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as non-operating activities. These non-operating activities include the University's operating and capital appropriations from the State, federal appropriations, non-exchange receipts, net investment income, gifts, and interest expense. Certain amounts derived from the financial statements have been combined for the presentation on the Schedules of Revenues, Expenses, and Changes in Net Assets.

During fiscal 2007, the State University adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expenses, the related assets or liabilities and note disclosures in the financial statements. The objective of this statement is to improve the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB expenses over a period that approximates the employee's years of service and provides information about actuarial accrued assets or liabilities associated with OPEB and whether and to what extent funding progress is being made.

Note II – Revenues and Expenses

University expenses include programs supporting the instructional, research, and public service programs at the 29 State-operated campuses, the statutory colleges at Cornell and Alfred Universities, along with the System Administration offices and certain other University-wide programs. Funds supporting these programs are derived from the following: State appropriations, University-generated revenues (such as tuition, fees, room rents, and hospital operations), sponsored programs, the Research Foundation, and the State University Construction Fund. Auxiliary Services Corporation funds (food services and other auxiliary enterprise activities) are also included in the Schedules.

Note III – Functional Expenses

Instruction expenses contain salaries of teaching faculty, teaching and graduate assistants, administration, technicians, clerical and secretarial positions directly supporting the instructional effort, and instructional supplies and equipment. Research expenses include the costs of separately organized research units or separately financed research projects. The public service program includes funds for public workshops and continuing education. Academic support services directly support the primary instruction, research and public service and include libraries, educational communication centers, farms and training ships. Student support services serve the student in such areas as admissions, financial aid, placement and student unions. Institutional support services support all of the campus programs, including System Administration and other services such as data processing, mail, and supply. Operations and maintenance of plant include all necessary expenses for the managing of the University's physical plant. Staff benefits are included in each classification. Scholarship and fellowship programs are currently being funded primarily by the State of New York through the Higher Education Services Corporation (Tuition Assistance Program) and the Federal Government including the Pell Grant, Federal Work Study, and Supplemental Educational Opportunity Grant programs.

Note IV – Hospitals and Clinics

Hospitals and clinics include the costs associated with the teaching hospitals at Stony Brook, the Health Science Center at Brooklyn, the Health Science Center at Syracuse, the Long Island Veterans Home and the clinics associated with the College of Optometry, and the Dental School at the State University of New York at Buffalo.

Note V – Auxiliary Enterprises

This major program area includes programs that are conducted primarily to provide services for students, faculty, and staff. The three programs included in this category are residence halls, food service operations, and other auxiliary enterprises including campus stores, vending operations, laundry and recreational operations, intercollegiate athletics, health services, and parking. Food service revenues are generated from students participating in contract meal service plans offered at the campuses.

Note VI – Campus-related Foundations

As required under the Accounting Standards, the State University campus-related foundations and foundation student housing corporations (all referred to as the "foundations") are included in the State University reporting entity. The combined totals of the foundations are discretely presented on separate pages of the financial statements of the State University in accordance with display requirements prescribed by the Financial Accounting Standards Board. For the fiscal years ended June 30, 2007 through June 30, 2011, the foundations reported total revenues, total expenses, and ending net assets are as follows:

Financial Statement Classification	2007	2008	2009	2010	2011
Total revenues	$ 343,823	$ 260,572	$ 371,452	$ 393,693	$ 499,598
Total expenses	208,160	218,686	224,176	253,387	271,060
Net assets	1,032,811	1,074,697	1,221,973	1,362,199	1,590,737

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Appendix D

SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT

The following is a brief summary of certain provisions of the Agreement. This summary does not purport to be complete and reference is made to the Agreement for full and complete statements of such and all provisions. The headings below are not part of the Agreement but have been added for ease of reference. Defined terms used herein shall have the meaning ascribed to them in Appendix A.

Lease of Facilities

The Authority agrees to lease to the State University, and the State University agrees to take and hire from the Authority, the Leased Property on the term and conditions set forth in the Agreement.

(Section 2.01)

Term of Lease

The Lease Term shall commence on the date on which Bonds of any Series are first issued and delivered by the Authority, and shall terminate on the date on which no Bonds are Outstanding and the State University has satisfied its obligations under the Agreement, unless sooner terminated in accordance with the provisions of the Agreement.

(Section 2.02)

Acquisition of Facility Sites

Unless otherwise agreed by the State University and the Authority, the State University shall obtain as soon as practicable good and marketable title to the land on which each Facility is to be located and the building and improvements thereon, free and clear of all liens, charges and encumbrances except for Permitted Encumbrances.

(Section 2.03)

Availability of Land from State University

(a) The State University ratifies and confirms to the Authority all the Authority's right, title and interest in and to the Leased Property heretofore made available to the Authority as the sites of Facilities, together with such rights in and over other lands adjacent thereto to which the State University may have title, as may be required for temporary use during the period of construction, for ingress and egress to such Facilities and necessary attendant facilities and for the location of utilities and for such other purposes as may be required for the proper and efficient operation and maintenance of such Facilities and necessary attendant facilities.

(b) The State University, pursuant to Section 355(2)(s) of the Education Law of the State, agrees to make available to the Authority the portion of the grounds or real property occupied by a state-operated institution or statutory or contract college required for the site for any Facilities, together with such rights in and over other lands adjacent thereto as may be required for temporary use during the period of construction, for ingress and egress to the Project, and for the location of utilities and for such other purposes as may be required for the proper and efficient operation and maintenance of the Project.

(c) The State University and the Authority agree that the University's rights of reverter in and to the real property and the buildings located thereon held by the Authority by conveyances from the State University of Buffalo, to the extent that such buildings shall be made a part of the Project by the Agreement, shall continue and shall take effect at such time as the liabilities of the Authority incurred by its ownership, operation or financing of the Project, including payment of the principal or redemption price of and interest on the Bonds shall have been fully paid or otherwise discharged as provided by the Resolution.

(Section 2.04)

Net Lease

The Agreement shall be deemed and construed to be a "net lease," and the State University shall pay absolutely net during the Lease Term the Rentals and all other payments required under the Agreement, free of all deductions, without abatement, diminution and set-off.

(Section 2.05)

Construction of Facilities

The Authority, subject to the availability of moneys therefor in the Construction Fund or from appropriations made to it by the State, shall acquire, design, construct, reconstruct, rehabilitate, improve, furnish and equip the Facilities as provided in the Agreement; except that in the case of Defeased Facilities, the Authority shall acquire, design, construct, reconstruct, rehabilitate, improve, furnish and equip the Defeased Facilities as directed by the State University using only those monies that are available for such purpose.

Unless otherwise agreed by the Authority and the State University with respect to a Facility, the Authority shall be responsible for the design, acquisition, construction, reconstruction, rehabilitation, improvement, furnishment and equipment of the Facilities, supervision of construction, acceptance of a completed Facility or part thereof, and all other matters incidental to performance of the duties and powers expressly granted in the Agreement to the Authority in connection with the acquisition, construction, reconstruction, rehabilitation, improvement, furnishment and equipment of the Facilities.

(Section 3.01)

Payment of Rentals

(a) The State University shall pay to the Authority from any moneys legally available to it, including, without limitation, moneys from time to time on deposit in the Dormitory Income Account established by the State University pursuant to the Agreement, State funds appropriated to the State University in the State of New York and unrestricted fund balances of the State University, the following Basic Rent in the amounts and on the dates as follows:

> (i) On December 10 of each Bond Year, (A) the interest payable on or prior to the immediately succeeding January 1 on Outstanding Bonds on which interest is payable semiannually on each January 1 and July 1 and (B) the principal and Sinking Fund Installments of Outstanding Bonds payable prior to the immediately succeeding July 1;
>
> (ii) On June 10 of each Bond Year, (A) the interest payable on or prior to the immediately succeeding July 1, on Outstanding Bonds on which interest is payable semiannually on each January 1 and July 1 and (B) the principal and Sinking Fund Installments of Outstanding Bonds payable prior to the immediately succeeding January 1;
>
> (iii) On the 10thday of each month the interest estimated by an Authorized Officer of the Authority to be payable during the next succeeding calendar month on Outstanding Variable Interest Rate Bonds on which interest is payable more frequently than semiannually; and
>
> (iv) Not less than five (5) Business Days prior to the date the principal or a Sinking Fund Installment of or interest on Outstanding Bonds is payable, the amount by which the money available in the Debt Service Fund is insufficient to make such payment, as set forth in a written notice from the Authority given not less than ten days prior to such date.

The State University shall receive a credit against the payments required to be made pursuant to subparagraphs (i) and (ii) of this Section equal to the amount by which the amount in the Debt Service Fund on the date any such payment is to be made exceeds the amount required pursuant to the Resolution to be on deposit therein.

The State University shall have the option to make from time to time prepayments in part of payments due as aforesaid of Basic Rent, together with interest accrued and to accrue and premium, if any, to be paid on the Bonds, if such prepayment is to be used for the purchase or redemption of such Bonds. The Trustee shall apply such prepayments in such manner consistent with the provisions of the Resolution as may be specified in writing by an Authorized Officer of the State University at the time of making such prepayment.

Subject to the provisions of the Agreement and of the Resolution, the State University shall receive a credit against the amount required to be paid by the State University during a Bond Year pursuant to subparagraph (i) and (ii) of this Section on account of any Sinking Fund Installments if, subsequent to July 1 of any Bond Year, but in no event less than forty-five (45) days prior to the immediately succeeding July 1 on which a Sinking Fund Installment is scheduled to be due, the State University delivers to the Trustee for cancellation one or more Bonds of the Series and maturity to be so redeemed on such July 1. The amount of the credit shall be equal to the principal amount of Bonds so delivered and cancelled.

(b) The State University shall pay to the Authority, as additional rent for the Facilities, the amounts, and on the dates, as follows:

(i) On the date of delivery of Bonds of a Series, the Administrative Expenses, as estimated by an Authorized Officer of the Authority, incurred in connection with the issuance of Bonds of such Series;

(ii) On each December 10, the Annual Administrative Fee;

(iii) The Administrative Expenses of the Authority, the Trustee and each Paying Agent for the Bonds, within thirty (30) days after notice of the amount thereof is given to the State University; provided, however, that the estimated Administrative Expenses paid pursuant to subparagraph (i) of this paragraph (b)shall be applied in reduction of the amount payable pursuant to this subparagraph;

(iv) The amount determined by an Authorized Officer of the Authority as required to be rebated to the Department of the Treasury of the United States of America in excess of the amount available therefore in the Arbitrage Rebate Fund, within five (5) days after notice of the amount thereof is given to the State University;

(v) On the 10th day of each calendar month, the amount certified by the Authority as the estimated amount payable by the Authority (1) in connection with the purchase and remarketing of Option Bonds, (2) the adjustment of the rate at which Variable Interest Rate Bonds bear interest, and (3) to the Providers of Credit Facilities and Liquidity Facilities, in each case that are payable during the next succeeding calendar month; and

(vi) On the 10th day of each calendar month, the amount certified by the Authority as the estimated amount payable by the Authority to the Counterparty to an Interest Rate Exchange Agreement during the next succeeding calendar month, respectively, including but not limited to any fees or charges in connection therewith;

(c) The Authority, for the convenience of the State University, shall furnish the State University not less than thirty (30) days prior to the date on which a payment is due pursuant to this Section, a statement of the amount, purpose and payment date of each payment required to be made pursuant to this Section. The failure to furnish such statement shall not excuse the State University's failure to pay, when due, the amounts payable pursuant to this Section.

(d) Any Rentals which are not paid by the State University within seven (7) days after the due date thereof shall, from and after said due date, bear interest (to the extent permitted by law) at the highest rate per annum borne by any of the Bonds until paid, time being of the absolute essence of this obligation.

(Section 4.01)

The Dormitory Income Account

The State University shall cause the Dormitory Income Account to be established and held by the Comptroller of the State. Such account and the moneys therein shall be held for the State University separate and apart from all other funds, moneys and accounts of the State University. If the Comptroller of the State for any reason shall cease to hold such account, the State University shall cause such account and the moneys therein to be held separate and apart from all other funds, moneys and accounts of the State University.

(Section 4.04)

Payments to the Dormitory Income Account

The State University covenants that, from the date on which Bonds are first issued, the State University shall pay to the Dormitory Income Account all rents, fees and charges, as received by the State University, from students or other persons for the use and occupancy of the Project.

The State University shall keep its books and records in such manner that the rents, fees and charges required to be paid to the Dormitory Income Account pursuant to this Section can be ascertained and identified. The State University agrees that such rents, fees and charges: (i) shall be stated separately in billing or shall be allocated by the State University from any other rents, fees or charges imposed; (ii) shall be identified as such rents, fees and charges; and (iii) shall be kept and accounted for separate and apart from any other rents, fees and charges imposed by the State University.

(Section 4.05)

Pledge of the Dormitory Income Account; Payments from the Dormitory Income Account

(a) Subject only to the provisions of paragraph (b), (c) and (d) of this Section, the rents, fees and charges required to be paid to the Dormitory Income Account and the moneys and assets of such account shall be used only to pay the Rentals required to be paid by the Stale University to the Authority in accordance with the Agreement. The provisions relating to the Dormitory Income Account shall constitute a pledge of and a lien on such rents, fees and charges required to be paid to the Dormitory Income Account as received by the State University and upon the Dormitory Income Account and its assets to the extent of the Agreement.

(b) If, at any time, the amount then on deposit in the Dormitory Income Account shall exceed the amount of Rentals that remain payable during such Bond Year, then in such event the excess may be used to pay the cost of operating, maintaining, repairing and renovating the Project pursuant to the Agreement.

For purposes of determining the amount of Rentals payable pursuant to subparagraphs (iii) and (iv) of paragraph (a) of the Section of the Agreement summarized under the heading “Payment of Rentals” above and subparagraphs (iii), (iv) (v) and (vi) of paragraph (b) of the same Section of the Agreement, the Authority shall estimate the amount of Rentals that are required to be paid pursuant to such paragraphs if the amount cannot be determined at the time of computation.

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

(d) So long as no Event of Default on the part of the State University is occurring under the Agreement, any moneys in the Dormitory Income Account in excess of the Dormitory Income Account Reserve Requirement as of the last day of each Fiscal Year may, upon submission of the Annual Report required by the Agreement, be paid to the State University for any lawful purpose of the State University free of the lien and pledge created pursuant to this Section; provided, however, no payment shall be made from the Dormitory Income Account pursuant to this paragraph (d) unless at the time of, and after giving effect to, such payment, the amount then on deposit in the Dormitory Income Account shall exceed the amount of Rentals that remain payable during the then current Bond Year.

(Section 4.06)

Investment of Dormitory Income Account

Any moneys held by or for the State University in the Dormitory Income Account shall be held in cash or may be invested only in obligations for which the Comptroller of the State is authorized to invest funds held in her custody under the State Finance Law. Interest earned, profits realized and losses suffered by reason of any such investment of such moneys shall be credited or charged, as the case may be, to the Dormitory Income Account.

(Section 4.07)

Records and Accounts; Annual Report

The State University shall keep proper books of records and accounts (separate from all other records and accounts) in which complete and correct entry shall be made of its transactions relating to the Dormitory Income Account, which books and accounts at reasonable hours and subject to the reasonable rules and regulations of the State University shall be subject to the inspection of the Trustee, the Authority or any Holder of Bonds or such Holder's representative duly authorized in writing. Within ninety (90) days after the end of each Fiscal Year of the State University, the State University shall submit to the Authority, the Division of the Budget and the Trustee a report in writing concerning the Dormitory Income Account, which report shall include at least the following: (i) the amount in the Dormitory Income Account at the beginning of such Fiscal Year; (ii) the rents, fees and charges received by the State University from students or other persons for the use and occupancy of the Project and paid to such account; (iii) the income from investment of moneys in such account; (iv) the amount of the Rentals and any other moneys paid during such Fiscal Year to the Authority relating to the Project; (v) the amount, if any, withdrawn by the State University as permitted by provisions of the Agreement summarized in paragraphs (b), (c) and (d) under the heading "Pledge of the Dormitory Income Account; Payments from the Dormitory Income Account" above; and (vi) the balance remaining in such account at the close of such Fiscal Year and whether such balance exceeds or is less than the Dormitory Income Account Reserve Requirement and if an excess exists, the amount to be withdrawn pursuant provisions of the Agreement summarized in paragraphs (d) under the heading "Pledge of the Dormitory Income Account; Payments from the Dormitory Income Account" above subject to the limitation therein. In addition, such report shall contain a statement, in terms sufficient for identification, of the amounts and purposes for which the moneys withdrawn by the State University as permitted by provisions of the Agreement summarized in paragraphs (b) and (c) under the heading "Pledge of the Dormitory Income Account; Payments from the Dormitory Income Account" above have been expended, and the unexpended balance, if any, of such withdrawal. In addition, such report shall contain a statement that the State University has no knowledge of any default in the fulfillment of any of the terms, covenants or provisions of the Agreement or, if the State University has knowledge of any such default, a statement thereof. Such report shall also set forth the Defeased Facilities which are subject to the Agreement.

(Section 4.08)

Nature of Obligations of the State University

Except as hereinafter provided in this Section, the obligation of the State University to pay Rentals and to pay all other amounts provided for in the Agreement and to perform its obligations under the Agreement shall be general, legal, valid and binding obligations of the State University, and such Rentals and other amounts shall be payable from any moneys legally available to the State University for such purpose without any rights of set-off, recoupment or counterclaim it might have against the Authority, the Trustee or any other person and whether or not the Facilities are used or occupied by the State University or available for use or occupancy by the State University; provided, however, that the State University shall receive a credit against the Rentals to the extent of the proceeds of any use and occupancy insurance received by the Authority and available for application to the payment of the Rentals. If the State University shall have paid all amounts required by the Agreement and continues to pay the same when due, it shall not be precluded from bringing any action it may otherwise have against the Authority; provided, however, that the State University shall not, as a result of its failure to pay any Administrative Expenses or Annual Administrative Fee, be precluded from bringing any such action if the amount thereof is disputed or is being contested by the State University in good faith.

The State University covenants that, so long as the State University shall be in possession of the Project under the Agreement, rents, fees and charges charged and collected from students and other persons for use and occupancy of the Project shall be sufficient at all times to maintain the Dormitory Income Account at the Dormitory Income Account Requirement and to pay all other expenses required to be paid by the State University pursuant to the Agreement.

Notwithstanding anything in the Agreement to the contrary, the cost and expense of the performance by the State University of its obligations under the Agreement and the incurrence of any liabilities of the State University under the Agreement, including, without limitation, the payment of all Rentals and all other amounts required to be paid by the State University under the Agreement, shall be deemed executory to the extent of moneys legally available to the State University for such purpose.

The State University will not terminate the Agreement (other than such termination as is provided for under the Agreement) or be excused from performing its obligations under the Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute an eviction or constructive eviction, failure of consideration, failure of title, or frustration of purpose, or any damage to or destruction of the Project, or the taking by eminent domain of title to or the right of temporary use of all or any part of the Project, or the failure of the Authority to perform and observe any agreement or covenant, whether expressed or implied, or any duty, liability or obligation arising out of or in connection with the Agreement.

(Section 4.09)

Nature of Obligations of the Authority

The cost and expense of the performance by the Authority of any of its obligations under the Agreement shall be limited to the availability of the proceeds of Bonds issued for such purposes or from other funds received by the Authority under the Agreement and available for such purposes.

(Section 4.10)

Additional Resolutions; Apportionment of Payments

In the event that there is more than one Resolution and the moneys legally available to the State University, including moneys held in the Dormitory Income Account, are insufficient to make payments to satisfy the State University's obligations to pay the Basic Rent payable on account of Bonds issued pursuant to the Resolutions, the State University shall apportion the available moneys, pro rata, based upon the Basic Rent payable on account of

Bonds issued pursuant to each Resolution. Payments of all other Rentals shall also be made, in the event of insufficiencies, on a pro rata basis based on the amount of Rentals payable on account of Bonds issued pursuant to each Resolution, but only after all Basic Rent is paid.

(Section 4.12)

Operation, Maintenance and Repair

During the Lease Term, the State University shall be responsible for, and pay all costs of, operating the Facilities, maintaining the same in good condition, and making all necessary repairs and replacements, interior and exterior, structural and non-structural; provided, however, that the State University shall not be obligated to pay the costs thereof paid by any person (other than the Authority) to whom a Facility has been sublet in accordance with provisions of the Agreement summarized in paragraph (a) under the heading "Remedies" below.

The State University covenants that, so long as the State University shall be in possession of the Project that: (i) it will prepare and implement a budget for each Fiscal Year, which provides adequate funds for the operation and maintenance of the Project in good condition and for the making of all necessary repairs and replacements; (ii) it will prepare and implement a Capital Plan that will provide adequate resources for all necessary repairs and replacements of the Facilities; and (iii) prior to the commencement of each Fiscal Year, it shall provide the Authority with copies of the aforementioned budget and Capital Plan, together with its certification that they are in compliance with the requirements of the Agreement, including, but not limited to, the requirements imposed by clauses (i) and (ii) of this paragraph, and that they have provided adequate resources to maintain the Dormitory Income Account at the Dormitory Income Account Requirement during the Fiscal Year to which the certification relates.

(Section 5.01)

Utilities, Taxes and Governmental Charges

The State University will pay or cause to be paid all charges for water, electricity, light, heat or power, sewage, telephone and other utility service, rendered or supplied upon or in connection with the Facilities during the Lease Term; provided, however, that the State University shall not be obligated to pay the costs thereof paid by any person (other than the Authority) to whom a Facility has been sublet in accordance with provisions of the Agreement summarized in paragraph (a) under the heading "Remedies" below.

In addition, the State University shall (i) pay, or make provision for payment of, all applicable lawful taxes and assessments, including income, profits, property or excise taxes, if any, or other municipal or governmental charges, levied or assessed by any federal, state or any municipal government upon the Authority or the State University with respect to or upon a Facility or any part thereof or upon any payments under the Agreement when the same shall become due; provided, however, that the State University shall not be obligated to pay the costs thereof paid by any person (other than the Authority) to whom a Facility has been sublet in accordance with provisions of the Agreement summarized in paragraph (a) under the heading "Remedies" below; (ii) duly observe and comply with all valid requirements of any governmental authority relative to the Facilities; (iii) not create or suffer to be created any lien or charge upon a Facility or any part thereof, except Permitted Encumbrances, or upon the payments in respect thereof pursuant to the Agreement; and (iv) pay or cause to be discharged or make adequate provision to satisfy and discharge, within sixty (60) days after the same shall come into force, any lien or charge upon the Project or any part thereof, except Permitted Encumbrances, or upon any payments under the Agreement and all lawful claims or demands for labor, materials, supplies or other charges which, if unpaid, might be or become a lien upon any payments under the Agreement; provided, however, that the State University shall not be obligated to pay the costs thereof paid by any person (other than the Authority) to whom a Facility has been sublet in accordance with provisions of the Agreement summarized in paragraph (a) under the heading "Remedies" below.

The Authority shall cooperate fully with the State University in the payment of taxes or assessments and in the handling and conduct of any prospective or pending litigation with respect to the levying of taxes or assessments on a Facility and will, to the extent it may lawfully do so, permit the State University to litigate in any such proceeding in the name and behalf of the Authority.

(Section 5.02)

Additions, Enlargements and Improvements

The State University shall have the right at any time and from time to time during the Lease Term, at its own cost and expense, to make such additions, enlargements, improvements and expansions to, or repairs, reconstruction and restorations of, a Facility, as the State University shall deem necessary or desirable in connection with the use thereof; provided, however, that no addition to or enlargement, improvement, expansion, repair, reconstruction or restoration of, a Facility which requires structural change of the Facility, or which modifies or changes any aspect or feature thereof designed or intended to protect the life or provide for the safety of the occupants of the Facility, shall be made by the State University without the prior written consent of an Authorized Officer of the Authority. All such additions, enlargements, improvements, expansions, repairs, reconstruction and restorations when completed shall be of such character as not to reduce or otherwise adversely affect the value of the Facility or the rental value thereof. The cost of any such additions, enlargements, improvements, expansions, repairs, reconstruction or restorations shall be promptly paid or discharged so that the Facility shall at all times be free of liens for labor and materials supplied thereto other than Permitted Encumbrances. All additions, enlargements, improvements and expansions to, or repairs, reconstruction and restorations of, a Leased Property shall be and become a part of the Leased Property and be the property of the Authority.

(Section 5.03)

Additional Rights of the State University

The Authority agrees that the State University shall have the right, option and privilege of erecting, installing and maintaining at its own cost and expense such standard office partitions, railings, doors, gates, counters, lighting fixtures, towers (together with all necessary guy wires and anchors), gasoline or natural gas storage tanks and pumps, signs and such other equipment in or upon a Facility as may in State University's judgment be necessary for its purposes. It is further understood and agreed that anything erected or installed under the provisions of this Section shall be and remain the personal properly of the State University and shall not become part of the Leased Property, and may be removed, altered or otherwise changed, upon or before the termination of the Agreement.

(Section 5.04)

Insurance

(a) At the times specified in the Agreement the Authority shall, to the extent reasonably obtainable, maintain or caused to be maintained with responsible insurers, approved by an Authorized Officer of the Authority, for the benefit of the Authority and the State University, the following kinds and the following amounts of insurance with respect to each Facility, with such variations as shall reasonably be required to conform to customary insurance practice and approved by an Authorized Officer of the Authority:

(i) Builder's Risk Insurance which will protect against loss or damage resulting from fire and lightning, the standard extended coverage perils, and vandalism and malicious mischief. The limits of liability will on a one hundred per centum (100%) completed value basis be the insurable value for the Facility, including items of labor and materials connected therewith whether in or adjacent to the structure insured and materials in place or to be used as part of the permanent construction. Such insurance shall be maintained until the insurance required by subparagraph (iv) of this Section (a) has been obtained. All such policies required by this subparagraph shall name the Authority and the State University as named insured, as their respective interests may appear, and shall contain standard clauses which provide for the net proceeds of any loss to be made payable directly to the Trustee for deposit to the credit of the Construction

Fund with respect to a Facility (other than a Defeased Facility), and with respect to a Defeased Facility, to the credit of the fund or account from which construction of the Defeased Facility is financed;

(ii) Comprehensive Boiler and Machinery Insurance under the customary form of policy in use in the State providing coverage in an amount and with such deductibles, if any, as may be acceptable to an Authorized Officer of the Authority. Such insurance shall be maintained commencing on the date the Facility is occupied or any object insured thereunder is accepted. All such policies required by this subparagraph shall name the Authority and the State University, as their respective interests may appear, and shall contain standard clauses which provide for the net proceeds of any loss which is $100,000 or less to be made payable directly to the State University and the net proceeds of any loss which is in excess of $100,000 to be made payable directly to the Trustee for deposit to the credit of the Construction Fund with respect to a Facility (other than a Defeased Facility), and with respect to a Defeased Facility, to the credit of the fund or account from which construction of the Defeased Facility is financed;

(iii) Comprehensive General Liability Insurance as broad as the standard coverage form in use in the State which shall not be circumscribed by any endorsements limiting the breadth of coverage which is not approved in writing by an Authorized Officer of the Authority. The policy shall include an endorsement (broad form) for contractual liability and shall name the Authority and the State University as named insureds, as their respective interests may appear. Limits of liability shall not be less than a combined limit of $2,000,000 per occurrence for bodily injury liability and properly damage liability with such deductible amounts per person and in the aggregate as shall be acceptable to an Authorized Officer of the Authority. Such insurance shall be maintained at all times during the Lease Term;

(iv) Property Insurance in an amount not less than eighty per centum (80%) of the full replacement cost of the Facility (meaning replacement cost without allowance for depreciation), exclusive of excavations, foundations and similar property customarily excluded under the standard coverage form in use in the State and providing for protection against loss resulting from fire, lightning, the standard extended coverage insurance perils, vandalism and malicious mischief. All such policies required by this subparagraph shall name the Authority and the State University as named insured, as their respective interest may appear and shall contain standard clauses which provide for the net proceeds of any loss which is $100,000 or less to be made payable directly to the State University and the net proceeds of any loss which is in excess of $100,000 to be made payable directly to the Trustee for deposit to the credit of the Construction Fund or the Debt Service Fund in accordance with the Agreement with respect to a Facility (other than a Defeased Facility), and with respect to a Defeased Facility, to the credit of the fund or account from which construction of the Defeased Facility is financed. Such insurance with respect to any building or improvement shall be maintained at all times after completion of construction thereof;

(v) Use and Occupancy Insurance in an amount agreed to by the parties to the Agreement during such time or times as the use of all or any of the Facilities or any part thereof may be totally or partially interrupted as a result of damage or destruction resulting from perils insured against pursuant to subparagraph (iii) of this Section (a). All such insurance shall be carried for the benefit of the Authority and shall name the Authority as the named insured. Each policy therefor, or contract thereof, shall contain a loss payable clause providing for the proceeds thereof to be payable to the Trustee, and the Rentals due from the State University with respect to the Facilities pursuant to provisions of the Agreement summarized in paragraph (a) under the heading "Payment of Rentals" above shall be reduced by the amount of the payments made to the Trustee from the proceeds of insurance carried pursuant to the foregoing provisions. Such insurance shall be maintained in connection with a Facility at all times during the Lease Term after the Authority shall have re-entered such Facility in accordance with provisions of the Agreement summarized under the headings "Remedies" and "Termination of Agreement by Authority" below; and

(vi) Worker's Compensation and Employers Liability Insurance and each other form of insurance from injuries, sickness, disability or death of employees as the State University may be required by law to provide.

All such policies shall name the Authority and the State University as named insured, as their respective interests may appear.

(b) All insurance policies obtained by the Authority under the Agreement shall be open to inspection by the State University and the Trustee at all reasonable times. A complete description of all such policies shall be furnished annually by the Authority to the State University and the Trustee, and if any change shall be made in any such insurance, a description and notice of such change shall be furnished by the Authority to the State University and the Trustee at the time of such change. If, after consultation with the State University, a loss deductible for insured property perils or liability is selected and incorporated into the Authority's property or liability coverages, the State University shall then be responsible for the amount of the deductible that the Authority shall incur from each loss for insured perils or liability.

(c) Notwithstanding any of the foregoing provisions of this Section, the Authority shall not be required to obtain or maintain any class or type of insurance required by the Agreement for which it is authorized and able to provide and maintain an appropriate substitute self-insurance arrangement under which the State University and the Authority would be fully protected from loss or general public liability arising from its ownership or interest in the Facilities, or under which assurance will be provided that funds will be available to repair, restore, rebuild or replace the Facilities upon damage, loss or destruction thereof. No such arrangement or arrangements shall be substituted for the insurance required to be obtained and maintained pursuant to the foregoing provisions of this Section, unless and until each such arrangement shall have been (i) recommended by an insurance consultant selected by an Authorized Officer of the Authority and (ii) approved by the Superintendent of Insurance of the State.

(d) In lieu of separate policies, the Authority may maintain a single policy, blanket or umbrella policies, or a combination thereof, having the coverage required in the Agreement, in which event it shall deposit with the State University a certificate or certificates of the respective insurers as to the amount of coverage in force upon the Facilities.

(e) The State University by the Agreement assumes all risks that the proceeds of any insurance may be inadequate to repair, reconstruct or restore the Facilities or fully to indemnify the State University or Authority against or to reimburse the State University or the Authority for any loss, liability, claim or judgment arising out of any risk, peril or insurable loss under the insurance required by the Agreement.

(Section 5.05)

Damage or Destruction

The State University agrees to notify the Authority and the Trustee immediately in the case of damage to or destruction of a Facility or any portion thereof in an amount exceeding $100,000 resulting from fire or other casualty. In the event that the amount of any such damage or destruction does not exceed $100,000, the State University will forthwith repair, reconstruct and restore the Facility to substantially the same condition as it existed prior to the event causing such damage or destruction and will apply the net proceeds of any insurance relating such damage received by the State University to the payment or reimbursement of the costs of such repair, reconstruction and restoration. The Authority agrees that the net proceeds of any insurance relating to such damage or destruction, not exceeding $100,000, may be paid directly to the State University.

In the event a Facility or any portion thereof is damaged or destroyed by fire or other casualty and the damage or destruction is estimated to exceed $100,000, then the State University shall within ninety (90) days after such damage or destruction elect one of the following options by written notice of such election to the Authority and the Trustee:

(a) **Repair and Restoration**. The State University may elect to repair, reconstruct, restore and improve the Facility. In such event the State University shall proceed forthwith to repair, reconstruct and restore the Facility to substantially the same condition as it existed prior to the event causing such damage or destruction. So long as the State University is not in default under provisions of the Agreement summarized in paragraph (a) under the heading "Events of Default,'' any net proceeds of insurance relating to such damage or destruction received by the Trustee shall be deposited to the credit of the Construction Fund and be applied to finance the Cost of such repair, reconstruction and restoration, to complete the payment of the Cost of such repair, reconstruction and restoration, in the same manner and upon the same conditions as set forth in the Resolution for the payment of the Cost of the Project from the Construction Fund.

It is further understood and agreed that in the event the State University shall elect to repair, reconstruct and restore the Facility, the State University shall complete the repair, reconstruction and restoration of the Facility, whether or not the net proceeds of insurance received by the State University for such purposes and any moneys permitted to be withdrawn from the Dormitory Income Account therefor are sufficient to pay for the same.

(b) **Prepayment of Rent**. The State University may elect to have the net proceeds of insurance payable as a result of such damage or destruction applied to the prepayment of Rentals under the Agreement. In such event the State University shall, in its notice of election to the Authority and the Trustee, direct that such net proceeds, when and as received, be deposited to the credit of the Debt Service Fund and applied to the redemption of Outstanding Bonds or be held in trust by the Trustee pursuant to the defeasance provisions of the Resolution for the payment of Bonds.

(Section 5.06)

Condemnation

The Agreement and the interest of the State University shall terminate as to a Facility or portion thereof and the Leased Property appertaining thereto condemned or taken by eminent domain when title thereto vests in the party condemning or taking the same (hereinafter referred to as the "termination date"). The State University by the Agreement irrevocably assigns to the Authority all right, title and Interest of the State University in and to any net proceeds of any award, compensation or damages (hereinafter referred to as an "award"), payable in connection with any such condemnation or taking during the Lease Term for any Facility other than a Defeased Facility. Such net proceeds shall be initially paid to the Trustee for deposit and application as hereinafter provided.

In the event of any such condemnation or taking the State University shall within ninety (90**)** days after the termination date therefor elect one of the following options by written notice of such election to the Authority and the Trustee:

(a) **Repairs and Improvements**. The State University may elect to use the net proceeds of the award made in connection with such condemnation or taking for the repair, reconstruction, restoration and improvement of the Facility. In such event, so long as the State University is not in default under provisions of the Agreement summarized in paragraph (a) under the heading "Events of Default" below, any such net proceeds received by the Trustee shall be deposited to the credit of the Construction Fund and be applied to finance the Cost of such repairs and improvements, to complete the payment of the Cost of such repairs and improvements, in the same manner and upon the same conditions set forth in the Resolution for the payment of the Cost of the Project from the Construction Fund.

(b) **Prepayment of Rent**. The State University may elect to have the net proceeds payable as a result of condemnation applied to the prepayment of Rentals under the Agreement. In such event the State University shall, in its notice of election to the Authority and the Trustee, direct that such net proceeds, when and as received, be deposited to the credit of the Debt Service Fund and applied to the redemption of Outstanding Bonds or be held in trust by the Trustee pursuant to the defeasance provisions of the Resolution for the payment of Bonds.

The Authority shall cooperate with the State University in the handling and conduct of any prospective or pending condemnation proceedings with respect to a Facility or any part thereof and will, to the extent it may lawfully do so, permit the State University to litigate in any such proceeding in the name and behalf of the Authority. In no event will the Authority voluntarily settle, or consent to the settlement of, any prospective or pending condemnation proceedings with respect to a Facility or any part thereof without the written consent of the State University.

(Section 5.07)

Assignment and Sale of Facilities

The State University will not sell, sublease or otherwise dispose of or encumber its interest in a Facility except as provided in provisions of the Agreement summarized under the heading "Subletting" below. The Agreement may be assigned in whole or in part by the State University upon written consent of the Authority (which consent shall not be unreasonably withheld) but no assignment shall relieve the State University from primary liability for any of its obligations under the Agreement, and in the event of any such assignment the State University shall continue to remain primarily liable for the payments specified in the Agreement and for performance and observance of the other agreements on its part provided in the Agreement.

(Section 7.07)

Use of the Facilities

Except as provided in provisions of the Agreement summarized in the following paragraph, the Facilities will be occupied by the State, the State University or any other governmental agency, department, division, commission or board.

(Section 7.08)

Subletting

The State University will not use, rent or sublease space in a Facility, in excess of the space required for its purposes or related purposes, as determined by an Authorized Officer of the State University, if such use, rental or sublease is not authorized or permitted by law, including the Act, or would, in the opinion of Bond Counsel, adversely affect the exclusion of interest on any of the Bonds from gross income for purposes of federal income taxation. No such use, lease or sublease shall have any adverse effect upon the Agreement or affect or reduce the State University's obligations under the Agreement.

The State University will not rent, sublease or otherwise dispose of all or any portion of a Facility if such rental, sublease or disposition would cause the interest on any of the Bonds to be includable in gross income for purposes of federal income taxation.

(Section 7.09)

Covenant not to Affect the Tax Exempt Status of the Bonds

The State University, so long as it leases a Facility under the Agreement, will take no action, or permit any action to be taken, with respect to the Project or any Facility which will impair the exclusion of interest on any Bonds from gross income for purposes of federal income taxation; it will not invest or otherwise use the proceeds of the Bonds in a manner which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148(a) of the Code, and any proposed or final regulations thereunder as are applicable to any Bond; and neither it nor any "related person," as defined in Section 147(a)(2) of the Code, will, pursuant to an arrangement, formal or informal, purchase Bonds in an amount related to the amount of any obligation to be acquired by the Authority from the State University.

(Section 7.11)

Environmental Quality Review and Historic Preservation

The State University will comply with the provisions of Article 8 of the Environmental Conservation Law and the provisions of the Historic Preservation Act of 1980 of the State applicable to the Project, the alteration or expansion of the Facilities or additions thereto. Unless otherwise agreed by the State University and the Authority, the Authority shall assume primary responsibility or lead agency status under such laws and shall take such actions as may be required to be taken by the lead agency or agency with primary responsibility thereunder. The State

University and the Authority each agree to cooperate with and provide assistance to the lead agency or the agency with primary responsibility under such laws, including the preparation and provision of such documents as may be reasonably requested of the State University or the Authority as are necessary to enable the lead agency or the agency with primary responsibility to comply with such laws. Except for paying the costs of studies, plans or designs, no money in the Construction Fund shall be spent on a Facility until the provisions of this Section have been complied with.

(Section 7.12)

Events of Default

An "event of default" or a "default" shall mean, whenever they are used in the Agreement, any one or more of the following events:

(a) Failure by the State University to pay or cause to be paid when due the Rentals to be paid under the Agreement;

(b) Failure by the State University to pay or to cause to be paid when due any other payment required to be made under the Agreement, which failure shall continue for a period of thirty (30) days after payment thereof was due;

(c) Failure by the State University to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in paragraphs (a) and (b) of this Section, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the State University by the Authority, unless by reason of the nature of such failure the same can not be remedied within such thirty (30) day period and the State University has within such period commenced to take appropriate actions to remedy such failure and is diligently prosecuting such actions;

(d) Any representation or warranty of the State University contained in the Agreement shall have been at the time it was made or is thereafter untrue in any material respect;

(e) The State University shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the State University seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, Trustee, or other similar official for it for any substantial part of its property; or the State University shall authorize any of the actions set forth above in this paragraph (e); or

(f) An order or decree appointing a receiver of one or more of the Facilities or any part thereof shall be entered with the consent or acquiescence of the State University or such order or decree shall be entered without the acquiescence or consent of the State University if it shall not be vacated, discharged or stayed within ninety (90) days after entry.

(Section 8.01)

Remedies

Whenever any event of default referred to in the Agreement shall have happened and be continuing, any one or more of the following remedial steps may be taken:

(a) The Authority may re-enter and take possession of one or more of the Facilities without terminating the Agreement, and sublease the same for the account of the State University, holding the State University liable for the difference in the rent and other amounts paid by the sublessee in such subleasing and the rents and other amounts required to be paid by the State University under the Agreement;

(b) The Authority may terminate the Lease Term, exclude the State University from possession of one or more of the Facilities and use its best efforts to lease such Facilities for the account of the State University, holding the State University liable for all rent and other amounts due under the Agreement and not paid by such other lessee;

(c) To the extent the same may be permitted by law, the Authority may terminate the Lease Term, exclude the State University from possession of one or more of the Facilities and sell such Facilities, holding the State University liable for all rent and other amounts due under the Agreement and not paid for by such purchaser; or

(d) The Authority may take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the State University under the Agreement.

Any amounts collected pursuant to action taken under this Section shall be applied in proportion to the total principal amount of Bonds then Outstanding in accordance with the provisions of the Resolution, or if the Bonds and all other amounts due under the Agreement have been fully paid (or provision for payment thereof has been made), such amounts shall be paid to the State University.

(Section 8.02)

Reinstatement

Notwithstanding any termination, except with respect to any Facility and Leased Property appertaining thereto for which in accordance with the provisions of the Agreement summarized under the heading "Remedies" above the Authority shall have entered into an agreement providing for the reletting thereof for a period of at least one year, if all arrears of interest on Outstanding Bonds and interest on overdue installments of principal, premium, if any, and (to the extent permitted by law) interest on such Bonds, at a rate per annum equal to the highest rate per annum borne by any of the Outstanding Bonds, and the principal and premium (if any) on all Bonds then Outstanding which have become due and payable otherwise than by reason that the principal amount thereof shall have been declared by the Trustee to be immediately due and payable, and all other sums payable under the Resolution, except the principal of and the interest on such Bonds which by reason of such declaration shall have become due and payable, shall have been paid, all other things shall have been performed in respect of which there was a default and there shall have been paid the reasonable fees and expenses, including Administrative Expenses, of the Trustee and such declaration under the Resolution is annulled, then the State University's default under the Agreement shall be waived without further action by the Trustee or the Authority. Upon such payment and waiver, the Agreement shall be fully reinstated, as if it had never been terminated, and the State University shall be restored to the use, occupancy and possession of the Facilities and Leased Property.

(Section 8.03)

Termination of Agreement by Authority

If, because moneys are not legally available to the State University for such purpose, the State University (i) fails to pay when due the payments to be paid under the Agreement or (ii) fails to observe and perform any covenant or agreement on its part to be observed or performed under the Agreement, the Authority shall have the right to terminate the Agreement.

In order to exercise such right to terminate the Agreement, the Authority shall, at least thirty (30) days prior to the exercise of such right, notify the State University in writing of the exercise of its rights pursuant to this Section, the basis therefor and the date fixed for such termination.

Upon such termination neither the State University nor the Authority shall have any further obligations under the Agreement, except that the State University's obligations under the Agreement pertaining to indemnification and the State University's obligations to pay any amounts then due and owing under the provisions of the Agreement summarized under the heading "Payment of Rentals" above shall survive such termination.

(Section 9.01)

Right to Lease or Sell Project

Except as otherwise provided in the Agreement, upon the exercise of its right to terminate the Agreement, the Authority shall exclude the State University from possession of the Leased Property and the Facilities and use its best efforts to lease the Leased Property and the Facilities to another party or, to the extent permitted by law, sell the Leased Properly and the Facilities.

Any amounts collected pursuant to action taken under this Section shall be applied in accordance with the Resolution.

(Section 9.02)

Reinstatement

Notwithstanding any termination of the Agreement by the Authority in accordance with the provisions of the Agreement relating to termination of the Agreement, except with respect to any Facility and Leased Property appertaining thereto which shall have been sold by the Authority or in connection with which the Authority shall have entered into an agreement providing for the lease of a Facility for a period of at least one year, if all arrears of interest on the then Outstanding Bonds and interest on overdue installments of principal, premium, if any, and (to the extent permitted by law) interest on such Bonds, at a rate per annum equal to the highest rate per annum borne by any of the Bonds, and the principal and premium (if any) on all Bonds then Outstanding which have become due and payable otherwise than by reason that the principal of the Outstanding Bonds shall have been declared by the Trustee to be immediately due and payable, and all other sums payable under the Resolution, except the principal of and the interest on such Bonds which by reason of such declaration shall have become due and payable, shall have been paid, and such declaration under the Resolution is annulled, and if the State University has agreed to pay or provide for the payment of the payments to be paid under the Agreement and if the State University observes or performs or agrees to observe or perform all covenants or agreements on its part to be observed or performed under the Agreement, the Agreement shall be fully reinstated, as if it had never been terminated, and the State University shall be restored to the use, occupancy and possession of the Leased Property and the Facilities.

(Section 9.03)

Operation of Project by the Authority

The State University and the Authority, upon exercise by the Authority of the remedy provided in provisions of the Agreement summarized in paragraphs (a), (b) or (c) under the heading "Remedies" above or upon termination of the Agreement pursuant to provisions of the Agreement summarized under the heading "Termination of Agreement by Authority" above each agree as summarized under the next four headings.

State University as Agent

The Authority by the Agreement appoints the State University as its agent to supervise and conduct the operation, maintenance, repair and replacement of the Project in accordance with the provisions, terms and conditions of the Agreement. The Authority shall pay all costs of operation, maintenance, repair and replacement of the Project. Necessary sub-agents and employees shall be appointed or hired by the Authority on the recommendation of the State University and their wages, salaries or other compensation shall be paid by the Authority. All other expenses of operation, maintenance, repair and replacement incurred by the State University, as agent, shall be paid by the Authority provided the same are in accordance with, and within the amounts set forth in the budget adopted by the Authority.

(Section 10.01)

Termination of Agency Relationship

In the event that the State University shall not operate, maintain, repair and replace the Project, as agent for the Authority, to the satisfaction of the Authority, the Authority may give written notice to the State University setting forth the conditions giving rise to such dissatisfaction and requiring the State University to correct such conditions. If such conditions are not corrected to the satisfaction of the Authority within sixty (60) days after the event of such notice, the Authority thereafter, upon thirty (30) days' written notice to the State University, may terminate the power of the State University to act as agent for the Authority in relation to the Project. Thereafter, the Project shall be directly operated, maintained, repaired and replaced by the Authority.

(Section 10.02)

Covenants as to Fees and Charges

(a) The amounts, time and manner of payment of all rents, charges and fees charged students and other persons relating to the Project, including rentals charged students and other persons for occupancy of rooms in the Project, shall be fixed by the Authority; provided, however, that the amounts, time and manner of payment thereof permit full compliance with the provisions of paragraph (c) of this Section. The State University by the Agreement agrees to collect or cause to be collected such rents, charges and fees as agent of the Authority.

(b) The Authority, upon thirty (30) days notice in writing to the State University, may revise the amount of any rents, charges and fees charged students and other persons relating to the Project. The State University, at any time, shall have the right to consult with the Authority concerning the amounts fixed or to be fixed for such rents, charges and fees.

(c) The rents, charges and fees fixed by the Authority shall be at least sufficient at all times, together with any other moneys available to the Authority: (i) to pay the principal or Sinking Fund Installments of and interest on all Bonds as the same become due; (ii) to pay the costs of operation, maintenance, repair and replacement of the Project; (iii) to maintain the Dormitory Income Account at the Dormitory Income Account Requirement; and (iv) to pay the fees and expenses of the Trustee and the reasonable and proper share of the administrative expenses of the Authority incurred by reason of its ownership, financing and operation of the Project.

(Section 10.03)

Conveyance upon Expiration of Lease Term

When the Lease Term has expired and all of the Bonds, including principal, interest and redemption premium, if any, and all other obligations incurred and to be incurred by the Authority in connection with the Project and the Facilities under the Agreement and under the Resolution have been paid in full or provision has been made for such payment in accordance with the Resolution, the Authority shall transfer, convey, release, assign and set over to the State all of the Authority's right, title and interest in and to the Leased Property and the Facilities by a good and sufficient quit claim deed or such other legal instruments as the Authority and the State University may determine to be necessary or appropriate therefor. The State University shall bear all costs and expenses in connection with the preparation of the documents of conveyance and the delivery thereof and all fees, assessments, taxes and charges payable in connection with the conveyance of title to the Leased Property and the Facilities. Upon conveyance of title and payment therefor as aforesaid, the Agreement shall cease and terminate and all obligations of the State University under the Agreement, except under provisions of the Agreement summarized under the heading "Indemnification of Authority; Limitation on Liability" above pertaining to indemnification and the obligation of the State University to pay any amounts then due and owing under provisions of the Agreement summarized in paragraphs (b) or (d) under the heading "Payment of Rentals" above, shall be terminated and extinguished.

(Section 11.01)

Abandonment, Withdrawal and Sale of Facilities

Notwithstanding any other provisions of the Agreement and so long as no Event of Default on the part of the State University is occurring under the Agreement, the acquisition, design, construction, reconstruction, rehabilitation, improvement or otherwise providing, furnishing and equipping of any Facility or part thereof may be abandoned and any Facility or part thereof may be withdrawn from the Project, with the written consent of the Authority. Prior to any such abandonment or withdrawal, except in the case of a Defeased Facility, the State University shall first deliver to the Authority and the Trustee a certificate or certificates signed by an Authorized Officer of the State University stating that such Facility or part thereof is no longer useful or necessary in the operation of the dormitory program of the State University, and that such abandonment or withdrawal will not adversely affect the State University's ability to meet its obligations under the Agreement.

Any Facility withdrawn from the Project may be sold for such amount and upon such terms as the Authority and the State University may agree. Except in the case of a Defeased Facility, the proceeds of such sale, up to the principal amount of Outstanding Bonds issued in connection with such Facility plus the accrued interest and premium payable thereon, if any, on the first date thereafter on which such Bonds can be redeemed at the election of the Authority remaining after deducting therefrom (i) the costs and expenses incurred in connection with such sale and (ii) the Costs of such Facility and any other expenses, liabilities of and moneys owed to the Authority by reason of its undertaking to provide such Facility, shall be paid to the Authority for deposit to the credit of the Construction Fund or applied to the redemption of Outstanding Bonds issued in connection with such Facility, in accordance with the written direction of an Authorized Officer of the Authority, except that such amount may, with the prior written consent of the Authority and the Director of the Division of Budget, which consents shall not be unreasonably withheld or delayed, be used by the State University for any other purpose unless in the opinion of Bond Counsel such use would adversely affect the exclusion of interest on any of the Bonds from gross income for purposes of federal income taxation. In lieu of paying such proceeds to the Authority for the redemption of Bonds, there may be paid to the Authority an amount sufficient to purchase Defeasance Securities the principal of and interest on which, when due, will provide moneys which, together with the moneys, if any, paid to the Authority at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price and interest due and to become due on an aggregate principal amount of the Bonds issued in connection with such Facility equal to the amount required to be paid to the Authority pursuant to the immediately preceding sentence.

(Section 11.02)

Conveyance upon Withdrawal

Upon the withdrawal of a Facility from the Project, the Authority shall contemporaneously convey to or upon the order of the State University all of the Authority's right, title and interest in and to the Facility and the Leased Property appertaining thereto by a good and sufficient quit claim deed or such other legal instruments as the Authority and the State University may determine to be necessary or appropriate therefor. The State University shall bear all costs and expenses in connection with the preparation of the documents of conveyance and the delivery thereof and all fees, assessments, taxes and charges payable in connection with the conveyance of title to such Facility and Leased Property. Upon conveyance of title and payment therefor as aforesaid, the Agreement shall cease and terminate with respect to such Facility and Leased Property and all obligations of the State University under the Agreement relating thereto, except under provisions of the Agreement summarized under the heading "Indemnification of Authority; Limitation on Liability" above pertaining to indemnification and the obligation of the State University to pay any amounts then due and owing under provisions of the Agreement summarized in paragraphs (b) or (d) under the heading "Payment of Rentals" above, shall be terminated and extinguished.

(Section 11. 03)

Amendments, Changes and Modifications

The Agreement may be amended, changed or modified in any respect or any provision of the Agreement waived; **provided, however**, that no such amendment, change, modification or waiver shall be made other than pursuant to a written instrument signed by the Authority and the State University; **provided, further**, that no amendment, change or modification shall take effect unless and until (i) if the consent of Holders of Outstanding Bonds is required by the Resolution, there shall have been filed with the Trustee the written consents of the Holders of the percentages of Outstanding Bonds specified in the Resolution, (ii) if the consent of the Trustee is required by the Resolution, the Trustee shall have consented thereto and (iii) an executed copy of such amendment, change or modification, certified by an Authorized Officer of the Authority, shall have been filed with the Trustee.

(Section 12.04)

Investment of Moneys

The State University by the Agreement acknowledges that the Authority may in its sole discretion invest or direct the investment of certain moneys held under the Resolution as provided therein and that no representation or warranty has been made by the Authority with respect to interest rates on, or the amount to be earned as a result of, any such investment. Neither the Authority nor the Trustee shall have any liability arising out of or in connection with the making of any investment authorized by the Resolution in the manner provided therein, for any depreciation in value of any investment or for any loss, direct or indirect, resulting from any such investment.

(Section 12.07)

Appendix E

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a brief summary of certain provisions of the Resolution. This summary does not purport to be complete and reference is made to the Resolution for full and complete statements of such and all provisions. The headings below are not part of the Resolution but have been added for case of reference only. Defined terms used herein shall have the meanings ascribed to them in Appendix A or in the body of this Official Statement.

Resolution and Bonds Constitute a Contract

With respect to the Bonds, in consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Resolution by those who shall hold or own the same from time to time, the Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Holders from time to time of such Bonds and the pledge made in the Resolution and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Holders of any and all of such Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any such Bonds over any other Bonds except as expressly provided in the Resolution or permitted by the Resolution.

(Section 1.03)

Authorization of Bonds

The Resolution authorizes the issuance of Bonds of the Authority to be designated as "Lease Revenue Bonds (State University Dormitory Facilities Issue)" and it creates a continuing pledge and lien as provided by the Resolution to secure the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on all the Bonds. The Bonds shall be special obligations of the Authority payable and secured solely in the manner more particularly provided in the Resolution. The aggregate principal amount of Bonds which may be executed, authenticated and delivered is not limited except as provided in the Resolution.

The Bonds of the Authority shall not be a debt of the State, nor shall the State be liable thereon, nor shall the Bonds be payable out of any funds other than those of the Authority pledged by the Resolution to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on all of the Bonds.

(Section 2.01)

Provisions for Issuance of Bonds

The issuance of Bonds shall be authorized by a Series Resolution or Series Resolutions adopted at the time of or subsequent to the adoption of the Resolution. The Authority shall, in addition to other requirements, deliver or cause to be delivered to the Trustee: a copy of the Resolution and the Series Resolution authorizing such Bonds, certified by an Authorized Officer of the Authority; a copy of the Agreement, certified by an Authorized Officer of the Authority; a copy of the Bond Series Certificate executed in connection with such Bonds; a written order as to the delivery of such Bonds, signed by an Authorized Officer of the Authority, describing the Bonds to be delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered and stating the consideration for such Bonds; a certificate of an Authorized Officer of the Authority (x) stating that, as a result of the issuance of such Bonds, the Authority shall not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution and (y) except in the case of Refunding Bonds, stating that the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution; a certificate of an Authorized Officer of the State University (x) stating that, as a result of the issuance of such Bonds, the State University shall not be in default in the performance of any covenants, conditions, agreements or provisions contained in the Agreement and (y) except in the case of Refunding Bonds, stating that the State University is not in default in the performance of any covenants, conditions, agreements or provisions contained in the Agreement; if Bonds of such Series are Book Entry Bonds, unless the Trustee is a party thereto, a copy of the agreement, if any, between the Authority and the Depository for such Bonds; if a Liquidity Facility or Credit Facility is to be provided in connection with the issuance of Bonds of such Series, such Liquidity Facility or Credit Facility; and an opinion of Bond Counsel stating, in the opinion of Bond Counsel, that the Resolution and the applicable Series Resolution authorizing the Series of Bonds have been duly and lawfully adopted by the Authority, that the Resolution is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms, that the Resolution creates the valid pledge and the valid lien which it purports to create, subject only to the provisions of the Resolution permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Resolutions, and that the Authority is duly authorized and entitled to issue such Series of Bonds and, upon the execution and delivery thereof and upon authentication by the Trustee, such Series of Bonds will be duly and validly issued and will constitute valid and binding special obligations of the Authority entitled to the benefits of the Resolution; provided, however, that such opinion may be qualified to the extent that enforceability of rights and remedies may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally or as to the availability of any particular remedy.

(Section 2.02)

Additional Obligations

The Authority reserves the right to issue bonds, notes or any other obligations pursuant to other and separate resolutions of the Authority, on a parity with the Bonds then Outstanding, entitled to a charge or lien or right equal, but not prior, to the charge or lien created by provisions of the Resolution summarized under the heading "Pledge of Revenues" below or equal, but not prior, to the rights of the Authority and Holders of Bonds provided by the Resolution or with respect to the moneys pledged by provisions of the Resolution summarized under the heading "Pledge of Revenues" below. The Authority also reserves the right to issue bonds, notes or any other obligations pursuant to other and separate resolutions of the Authority, which are secured on a parity basis by payments to be made by the State University pursuant to the Agreement, including payments from moneys held in the Dormitory Income Account.

(Section 2.05)

Authorization of Redemption

Bonds subject to redemption prior to maturity pursuant to the Resolution or to a Series Resolution or a Bond Series Certificate shall be redeemable, in accordance with the Resolution, at such times, at such Redemption Prices and upon such terms as may otherwise be specified in the Resolution or in the Series Resolution authorizing such Series or the applicable Bond Series Certificate.

(Section 4.01)

Redemption at the Election or Direction of the Authority

In the case of any redemption of Bonds other than as summarized in the following paragraph, Bonds may be redeemed at the election or direction of the Authority as provided in the Series Resolution authorizing the issuance of such Bonds or the Bond Series Certificate relating to such Bonds. In exercising such election or giving such direction, the Authority shall give written notice to the Trustee and each applicable Facility Provider of its election or direction to redeem, of the Series and of the principal amounts of the Bonds of each Sub-Series and maturity of such Series to be redeemed. The Series, Sub-Series, maturities and principal amounts thereof to be redeemed shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in the Resolution or in the Series Resolution authorizing the issuance of such Bonds or the Bond Series Certificate relating to such Bonds. Such notice shall be given to the Trustee and each applicable Facility Provider at least sixty (60) days prior to the date on which such Bonds are to be redeemed, or such lesser number of days as shall be acceptable to the Trustee. The Authority covenants that in the event notice of redemption shall have been given as provided in provisions of the Resolution summarized under the heading "Notice of Redemption" below, it shall, on or prior to the redemption date, pay to the Trustee the amount of moneys which shall equal the Redemption

Price of and the interest accrued and to accrue on the Bonds to be so redeemed to the redemption date, less any moneys held by the Trustee and the Paying Agent available therefor, unless the notice of redemption expressly provides that the redemption is conditioned upon money being available on the redemption date for payment of the Redemption Price.

(Section 4.02)

Redemption Other Than at Authority's Election or Direction

Whenever by the terms of the Resolution the Trustee is required to redeem Bonds through the application of mandatory Sinking Fund Installments, the Trustee shall select the Bonds of the Series, Sub-series and maturities to be redeemed in the manner summarized in the following paragraph, give the notice of redemption and pay out of moneys available therefor the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, to the appropriate Paying Agents in accordance with the terms of the Resolution.

(Section 4.03)

Selection of Bonds to Be Redeemed

Unless otherwise provided in the Series Resolution authorizing the issuance of Bonds of a Series or the Bond Series Certificate relating to such Bonds, in the event of redemption of less than all of the Outstanding Bonds of like Series, Such-Series, maturity and tenor, the Trustee shall assign to each Outstanding Bond of the Series, Sub-Series, maturity and tenor to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which the Bonds of such Series are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds of such Series are authorized to be issued for each number, shall equal the principal amount of such Bonds to be redeemed. In making such selections the Trustee may draw the Bonds by lot (i) individually or (ii) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Bonds of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued, by the numbers assigned thereto as summarized herein) which end in the same digit or in the same two digits. In case, upon any drawing by groups, the total principal amount of Bonds drawn shall exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may in its discretion assign numbers to aliquot portions of Bonds and select part of any Bond for redemption. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of each such Bond of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued shall be redeemed as shall equal the lowest denomination in which the Bonds of such Series are authorized to be issued for each number assigned to it and so selected.

(Section 4.04)

Notice of Redemption

Whenever Bonds are to be redeemed, the Trustee shall give notice of the redemption of the Bonds in the name of the Authority which notice shall specify: (i) the Bonds to be redeemed which shall be identified by the designation of the Bonds given in accordance with the Resolution, the maturity dates and interest rates of the Bonds to be redeemed and the date of such Bonds were issued; (ii) the numbers and other distinguishing marks of the Bonds to be redeemed, including CUSIP numbers; (iii) the redemption date; (iv) the Redemption Price; (v) with respect to each such Bonds, the principal amount thereof to be redeemed; (vi) the date of publication, if any, of the notice of redemption; (vii) that, except in the case of Book Entry Bonds, such Bonds will be redeemed at the principal corporate trust office of the Trustee giving the address thereof and the name and telephone number of a representative of the Trustee to whom inquiries may be directed; (viii) that no representation is made as to the correctness of the CUSIP number either as printed on the Bonds or as contained in such notice and that an error in a CUSIP number as printed on a Bond or as contained in such notice shall not affect the validity of the proceedings for redemption; and (ix) if the Authority's obligation to redeem the Bonds is subject to one or more conditions, a statement to that effect that describes the condition or conditions to such redemption. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, together with interest accrued and unpaid thereon to the redemption date, and that, from and after such date, payment having been made or provided for, interest thereon shall cease to accrue.

Such notice shall be given by mailing a copy of such notice not less than thirty (30) days nor more than sixty (60) days prior to the redemption date or, in the case of Variable Interest Rate Bonds or Option Bonds, such shorter period as shall be established by the Series Resolution authorizing such Bonds or the Bond Series Certificate relating thereto, but in no event less than fifteen (15) days prior to the redemption date. Such notice shall be sent by first class mail, postage prepaid, to the registered owners of the Bonds which are to be redeemed, at their last known addresses, if any, appearing on the registration books not more than ten (10) Business Days prior to the date such notice is given. Upon giving such notice the Trustee shall promptly certify to the Authority that it has mailed or caused to be mailed such notice to the Holders of the Bonds to be redeemed in the manner provided in the Resolution. Such certificate shall be conclusive evidence that such notice was given in the manner required by the Resolution. The failure of any Holder of a Bond to be redeemed to receive such notice shall not affect the validity of the proceedings for the redemption of the Bonds. If directed in writing by an Authorized Officer of the Authority, the Trustee shall also give such notice by publication thereof once in an Authorized Newspaper, such publication to be not less than thirty (30) days nor more than sixty (60) days prior to the redemption date or, in the case of Variable Interest Rate Bonds or Option Bonds, such shorter period as shall be established by the Series Resolution authorizing such Bonds or the Bond Series Certificate relating thereto, but in no event less than fifteen (15) days prior to the redemption date; provided, however, that such publication shall not be a condition precedent to such redemption, and failure to so publish any such notice or a defect in such notice or in the publication thereof shall not affect the validity of the proceedings for the redemption of the Bonds.

In addition, the Trustee shall (i) if any of the Bonds to be redeemed are Book Entry Bonds, mail a copy of the notice of redemption to the Depository for such Book Entry Bonds not less than thirty-five (35) days prior to the redemption, but, if notice of redemption is to be published as aforesaid, in no event later than five (5) Business Days prior to the date of publication, and (ii) mail a copy of the notice of redemption to Kenny Information Systems Notification Service and to each Rating Service, in each case at the most recent address therefor, or to any successor thereof. Such copies shall be sent by certified mail, return receipt requested, but mailing such copies shall not be a condition precedent to such redemption and failure to so mail or of a person to which such copies were mailed to receive such copy shall not affect the validity of the proceedings for the redemption of the Bonds.

(Section 4.05)

Payment of Redeemed Bonds

Notice having been given by mail in the manner provided in the Resolution, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender of such Bonds, other than Book Entry Bonds of like Series, Sub-Series, maturity and tenor to be redeemed in part, at the office or offices specified in such notice, and, in the case of Bonds presented by other than the registered owner, together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date. Payment of the Redemption Price shall be made, upon the request of the registered owner of one million dollars ($1,000,000) or more in principal amount of Bonds to be redeemed, by wire transfer to such registered owner at the wire transfer address in the continental United States to which such registered owner has, at the time such Bonds are surrendered to the Trustee, directed in writing the Trustee to wire such Redemption Price. If there shall be drawn for redemption less than all of the principal amount of a registered Bond, the Authority shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the registered Bond so surrendered, Bonds of like Series, Sub-Series, maturity and tenor in any of the authorized denominations. If, on the redemption date, moneys for the redemption of all Bonds or portions thereof of any like Series, Sub-Series, maturity and tenor to be redeemed, together with interest accrued and unpaid thereon to the redemption date, shall be held by the Trustee and Paying Agents so as to be available therefor on such date and if notice of redemption shall have been mailed as aforesaid, and the conditions, if any, to such redemption have been satisfied or waived by the Authority, then, from and after the redemption date, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds shall no longer be considered to be Outstanding under the Resolution. If such moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

(Section 4.06)

Pledge of Revenues

The proceeds from the sale of any Bonds, the Revenues and, except as otherwise provided in provisions of the Resolution summarized under the heading "Establishment of Funds and Accounts" below, all funds and accounts established by the Resolution and by any Series Resolution, other than the Arbitrage Rebate Fund, are pledged to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds and as security for the performance of any other obligation of the Authority under the Resolution and under each Series Resolution all in accordance with the provisions of the Resolution and thereof.

The pledge made by the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of the Bonds, the Revenues and all funds and accounts established and pledged by the Resolution and by any Series Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of the Bonds, the Revenues and all funds and accounts established and pledged by the Resolution and by any Series Resolution, which pledge shall constitute a first lien thereon.

(Section 5.01)

Establishment of Funds and Accounts

The following funds and separate accounts within funds are established by the Resolution and, except for the Construction Fund which shall be held and maintained by the Authority, shall be held and maintained by the Trustee:

Construction Fund;
Debt Service Fund; and
Arbitrage Rebate Fund.

All moneys at any time deposited in any fund, account or subaccount created and pledged by the Resolution or by any Series Resolution or required by the Resolution or thereby to be created shall be held in trust for the benefit of the Bondholders, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided in the Resolution; provided, however, that the moneys derived from the remarketing of Option Bonds tendered or deemed to have been tendered for purchase or redemption in accordance with the Series Resolution authorizing the issuance of such Bonds or the Bond Series Certificate relating to such Bonds or derived from a Liquidity Facility or a Credit Facility relating to such Bonds, and any fund or account established by or pursuant to such Series Resolution for the payment of the purchase price or Redemption Price of Option Bonds so tendered or deemed to have been tendered, shall not be held in trust for the benefit of the Holders of Bonds other than the Holders of such Option Bonds, and such moneys and each such fund and account are pledged by the Resolution for the payment of the purchase price or Redemption Price of such Option Bonds.

(Section 5.02)

Application of Moneys in the Construction Fund

1. Except as otherwise provided in the Resolution and any applicable Series Resolution or Bond Series Certificate, moneys deposited in the Construction Fund shall be used only to pay the Costs of Issuance of the Bonds and the Costs of the Project. For purposes of internal accounting, the Construction Fund may contain one or more subaccounts as the Authority may deem proper.

2. Payments from the Construction Fund shall be made by the Authority upon the filing in the records of the Authority of, and in accordance with, a requisition signed by an Authorized Officer of the Authority stating with respect to each payment to be made (i) in the case of a payment for the Costs of the Project, the Facility in connection with which payment is to be made, (ii) the names of the payees, (iii) the purpose for which payment is to be made in terms sufficient for identification, (iv) the respective amount of each such payment and (v) that such purpose constitutes a proper purpose for which moneys in the Construction Fund may be applied and has not been the basis of any previous withdrawal from the Construction Fund. Notwithstanding the provisions of this subdivision, moneys in the Construction Fund to be applied to pay interest on Bonds shall be transferred from the Construction Fund to the Debt Service Fund at such times and in such amounts as shall be determined by an Authorized Officer of the Authority.

3. A Facility shall be deemed to be complete upon the filing in the records of the Authority of the notice of final completion required by Section 3.07 of the Agreement approved by the State University as provided therein.

Upon the filing of notices of final completion relating to all of the Facilities the Project shall be deemed to be complete. The moneys, if any, then remaining in the Construction Fund, after making provision in accordance with the direction of an Authorized Officer of the Authority for the payment of any Costs of Issuance and Costs of the Project then unpaid, shall be paid by the Authority to the Trustee and applied by it as follows and in the following order of priority:

First: To the Arbitrage Rebate Fund, the amount determined by the Authority to be required to be deposited therein; and

Second: To the Debt Service Fund, any balance remaining.

(Section 5.04)

Deposit of Revenues and Allocation Thereof

1. The Revenues and other moneys, which, by any of the provisions of the Agreement, are to be paid to the Trustee, shall upon receipt thereof be deposited or paid by the Trustee in the following order of priority:

First: To the Debt Service Fund,

(i) in the case of Revenues received during the period from July 1 of a Bond Year until December 31, thereof, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest payable on the next succeeding January 1 on Outstanding Bonds on which interest is payable semiannually on each January 1 and July 1, (b) the interest estimated by the Authority to be payable prior to the next succeeding July 1 on Outstanding Bonds on which interest is payable more frequently than semiannually, (c) the principal and Sinking Fund Installments of Outstanding Bonds payable prior to the next succeeding July 1, and (d) the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption pursuant to provisions of the Resolution summarized under the heading "Debt Service Fund below, plus accrued interest thereon to the date of purchase or redemption; and

(ii) in the case of Revenues received during the period from January 1 of such Bond Year until June 30 thereof, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (a) the interest payable on the next succeeding July 1 on Outstanding Bonds on which interest is payable semiannually on each January 1 and July I, (b) the interest estimated by the Authority to be payable prior to the next succeeding January 1 on Outstanding Bonds on which interest is payable more frequently than semiannually, (c) the principal and Sinking Fund Installments of Outstanding Bonds payable prior to the next succeeding January 1, and (d) the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption pursuant to provisions of the Resolution summarized under the heading "Debt Service Fund below, plus accrued interest thereon to the date of purchase or redemption;

Second: To reimburse, pro rata**,** each Facility Provider of a Credit Facility or a Liquidity Facility for Provider Payments which are then unpaid, in proportion to the respective Provider Payments then unpaid to such Facility Provider;

Third: Upon the direction of an Authorized Officer of the Authority, to the Arbitrage Rebate Fund the amount set forth in such direction;

Fourth: To the Authority, the amount of Operating Expenses theretofore paid by the Authority in excess of the moneys theretofore paid to the Authority on account of such Operating Expenses, as certified in writing by an Authorized Officer of the Authority; and

Fifth: To the Authority, such amounts as are then due and owing to the Authority pursuant to the Agreement, including for (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing or construction of one or more Facilities, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Agreement in accordance with the terms thereof and (iii) fees of the Authority; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts then due and owing to the Authority pursuant to the Agreement and payable pursuant to this paragraph Fifth.

2. After making the payments required by subdivision 1 of this Section, any Revenues remaining shall, upon the direction of an Authorized Officer of the Authority, be paid by the Trustee to the Authority for deposit to the Construction Fund or deposited by the Trustee to the Arbitrage Rebate Fund or the Debt Service Fund for application in accordance with provisions of the Resolution summarized under the heading "Debt Service Fund" below, in the respective amounts set forth in such direction. The Trustee shall notify the Authority and the State University promptly after making the payments required by subdivision 1 of this Section of any Revenues then remaining.

(Section 5.05)

Debt Service Fund

1. The Trustee shall on or before the Business Day preceding each date on which the principal or Redemption Price of or interest on Outstanding Bonds is payable, pay to itself and any other Paying Agent out of the Debt Service Fund:

(a) the interest due and payable on all Outstanding Bonds on such interest payment date;

(b) the principal due and payable on all Outstanding Bonds on such interest payment date; and

(c) the Sinking Fund Installments or other amounts related to a mandatory redemption, if any, due and payable on all Outstanding Bonds on such interest payment date.

The amounts paid out pursuant to this Section shall continue to be subject to the pledge made by the Resolution and shall be held by the Trustee and Paying Agents subject to such pledge and applied to such payments.

2. Notwithstanding the provisions of subdivision 1 of this Section, the Authority may, at any time subsequent to the first day of any Bond Year immediately preceding a Bond Year during which a Sinking Fund

Installment is payable, but in no event less than forty-five (45) days prior to the succeeding date on which such Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds to be redeemed from such Sinking Fund Installment. Any Term Bond so purchased and any Term Bond otherwise purchased and delivered to the Trustee shall be canceled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so canceled shall be credited against the Sinking Fund Installment due on such date; **provided, however**, that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is given.

3. Moneys in the Debt Service Fund that:

(i) during the period from the beginning of each Bond Year until December 31 thereof, is in excess of the amount required to pay the sum of (i) the principal and Sinking Fund Installments of Outstanding Bonds payable prior to the next succeeding July 1, (ii) the interest payable on the next succeeding January 1 on Outstanding Bonds on which interest is payable semiannually on each January 1 and July 1, (iii) the amount of interest estimated by the Authority to be payable prior to the next succeeding July 1 on Outstanding Bonds on which interest is payable more frequently than semiannually, and (iv) the purchase price or Redemption Price, including accrued interest to the date of such purchase or redemption, payable on or prior to the next succeeding July 1 of Outstanding Bonds theretofore contracted to be purchased or called for redemption, or

(ii) during the period from January 1 until the end of the Bond Year, is in excess of the amount required to pay the sum of (i) the principal and Sinking Fund Installments of Outstanding Bonds payable prior to the next succeeding January 1, (ii) the interest payable on the next succeeding July 1 on Outstanding Bonds on which interest is payable semiannually on each January 1 and July 1, (iii) the amount of interest estimated to be payable prior to the next succeeding January 1 on Outstanding Bonds on which interest is payable more frequently than semiannually, and (iv) the purchase price or Redemption Price, including accrued interest to the date of such purchase or redemption, payable on or prior to the next succeeding January 1 of Outstanding Bonds theretofore contracted to be purchased or called for redemption, shall in each case be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to the purchase of Outstanding Bonds of any Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Authority shall direct. If fifty (50) days prior to any interest payment date on which Bonds of any Series are subject to redemption the amount of such excess is fifty thousand dollars ($50,000.00) or more, the Trustee shall, to the extent such moneys are sufficient therefor, apply such moneys in accordance with the direction of an Authorized Officer of the Authority given pursuant to provisions of the Resolution summarized under the heading “Redemption at the Election or Direction of the Authority” above to the redemption of Bonds as provided in the Resolution at the Redemption Prices specified in the applicable Series Resolution or Bond Series Certificate.

(Section 5.06)

Arbitrage Rebate Fund

The Trustee shall deposit to the Arbitrage Rebate Fund any moneys delivered to it by the Authority or the State University for deposit therein and, notwithstanding any other provisions of the Resolution, shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of an Authorized Officer of the Authority, moneys on deposit in any other funds held by the Trustee under the Resolution at such times and in such amounts as shall be set forth in such directions.

Moneys on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which an Authorized Officer of the Authority determines to be in excess of the amount required to be so rebated to any fund or account established under the Resolution in accordance with the written direction of such Authorized Officer.

The Authority shall periodically, at such times as may be required to comply with the Code, determine the amount required by the Code to be rebated to the Department of the Treasury of the United States of America with respect to each Series of Bonds and (i) transfer or direct the Trustee to transfer from any other of the funds and accounts held under the Resolution and deposit to the Arbitrage Rebate Fund, such amount as the Authority shall have determined to be necessary in order to enable it to comply with its obligation to rebate moneys to the Department of the Treasury of the United States of America with respect to each Series of Bonds and (ii) pay out of the Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 5.10)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if at any time the amounts held in the Debt Service Fund, are sufficient either to pay the principal or Redemption Price of all Outstanding Bonds and the interest accrued and to accrue on such Bonds to the next date on which all such Bonds are redeemable, or to make provision pursuant to the defeasance provisions of the Resolution for the payment of the outstanding Bonds at the maturity or redemption dates thereof, the Authority may (i) direct the Trustee to proceed to redeem the Outstanding Bonds in the manner provided for redemption of such Bonds by the Resolution and by each Series Resolution as provided in the Resolution, or (ii) give the Trustee irrevocable instructions m accordance with the defeasance provisions of the Resolution and make provision for the payment of the Outstanding Bonds at the maturity or redemption dates thereof in accordance therewith.

(Section 5.11)

Transfer of Investments

Whenever moneys in any fund or account established under the Resolution are to be paid in accordance with the Resolution to another such fund or account, such payment may be made, in whole or in part, by transferring to such other fund or account investments held as part of the fund or account from which such payment is to be made, whose value, together with the moneys, if any, to be transferred, is at least equal to the amount of the payment then to be made; provided, however, that no such transfer of investments would result in a violation of any investment standard or restriction applicable to such fund or account.

(Section 5.12)

Security for Deposits

All moneys held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of the Authority and the Holders of the Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; provided, however, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any moneys with them pursuant to the Resolution and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Bonds, or for the Trustee to give security for any moneys which shall be represented by obligations purchased or other investments made under the provisions of the Resolution as an investment of such moneys.

(Section 6.01)

Investment of Funds and Accounts

1. Moneys held under the Resolution in any fund or account established by the Resolution or by or pursuant to a Series Resolution, if permitted by law, shall, as nearly as may be practicable, be invested in Government Obligations, Federal Agency Obligations, Exempt Obligations, and, if not inconsistent with the investment guidelines of a Rating Service applicable to funds held under the Resolution, any other Permitted Investment; provided, however, that each such investment shall permit the moneys so deposited or invested to be available for use at the times at which the Authority reasonably believes such moneys will be required for the purposes of the Resolution; provided, further, that (x) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (y) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Permitted Collateral shall be free and clear of claims of any other person. Moneys held under the Resolution by the Trustee shall be invested by the Trustee upon the direction of an Authorized Officer of the Authority given or confirmed in writing, which direction shall specify the amount to be so invested.

2. Permitted Investments purchased or other investments made as an investment of moneys in any fund or account held under the provisions of the Resolution shall be deemed at all times to be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged to, as the case may be, such fund or account.

3. In computing the amount in any fund or account held by the Trustee under the provisions of the Resolution, each Permitted Investment shall be valued at the market value thereof, plus accrued interest.

4. Notwithstanding anything to the contrary in the Resolution, the Authority, in its discretion, may direct the Trustee to, and the Trustee shall, sell, present for redemption or exchange any investment held by the Trustee pursuant to the Resolution and the proceeds thereof may be reinvested as provided in this Section. Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account in which such investment is held. The Trustee shall advise the Authority, in writing on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund and account in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of subdivisions 1 and 2 of this Section. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund and account in the previous month.

5. No part of the proceeds of any Series of Bonds or any other moneys of the Authority shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Bonds to be an "arbitrage bond" within the meaning of Section 148(a) of the Code.

(Section 6.02)

Payment of Principal and Interest

The Authority shall pay or cause to be paid the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on every Bond of each Series on the date and at the places and in the manner provided in the Bonds, according to the true intent and meaning thereof.

(Section 7.01)

Powers as to Bonds and Pledge

The Authority is duly authorized under the Act and all applicable laws to create and issue the Bonds, to adopt the Resolution and each Series Resolution and to pledge the proceeds from the sale of the Bonds, the Revenues and all funds and accounts established and pledged by the Resolution, in the manner and to the extent provided in the Resolution and the Series Resolution. The Authority further covenants that the proceeds from the sale of the Bonds, the Revenues and all funds and accounts established and pledged by the Resolution or by or pursuant to a Series Resolution are and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto, prior to the pledge created by the Resolution. In addition to the rights reserved under the provisions of the Resolutions summarized under the heading "Additional Obligations" above, the pledge, lien, charge or encumbrance upon the Revenues created by the Authority to secure its obligations to a Facility Provider of a Credit Facility or a Liquidity Facility may be of equal priority and rank with the charge and lien thereon created by the Resolution. The Authority further covenants that all corporate action on the part of the Authority to that end has been duly and validly taken. The Authority further covenants that the Bonds and the provisions of the Resolution and of each Series Resolution are and shall be the valid and legally enforceable obligations of the Authority in accordance with their terms and the terms of the Resolution and of each Series Resolution. The Authority further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge made by the Resolution and all of the rights of the Bondholders under the Resolution and under each Series Resolution against all claims and demands of all persons whomsoever.

(Section 7.03)

Accounts and Audits

The Authority shall keep proper books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries shall be made of its transactions relating to each Series of Bonds, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of the State University, the Trustee or of any Holder of a Bond or his representative duly authorized in writing. The Trustee shall annually prepare a report which shall be furnished to the Authority, to each Facility Provider and to the State University. Such report shall include at least: a statement of all funds (including investments thereof) held by such Trustee and the Authority pursuant to the provisions of the Resolution and of each Series Resolution; a statement of the Revenues collected in connection with the Resolution and with each Series Resolution; and complete and correct entries of the Authority's transactions relating to each Series of Bonds. A copy of such report shall, upon receipt of a written request therefor, and payment of any reasonable fee or charge made in connection therewith, be furnished to the registered owner of a Bond or any beneficial owner of a Book Entry Bond requesting the same.

(Section 7.05)

Creation of Liens

The Authority shall not create or cause to be created any lien or charge prior to that of the Bonds on the proceeds from the sale of any Bonds, the Revenues or the funds and accounts established by the Resolution or by any Series Resolution which are pledged by the Resolution; nor shall the Authority from and after the date on which Bonds are first issued, issue bonds under or pursuant to the Authority's Revenue Bond Resolution (Dormitory Revenue Bonds, State University Issue), adopted April 13, 1964. Nothing contained in the Resolution shall prevent the Authority from issuing (i) bonds, notes or other obligations under another and separate resolution so long as the charge or lien created by such resolution is not prior to the charge or lien created by the Resolution, (ii) bonds, notes or other obligations under another and separate resolution which are secured on a parity basis by payments to be made by the State University pursuant to the Agreement, including payments from moneys held in the Dormitory Income Account and (iii) incurring obligations or indebtedness to a Facility Provider of a Credit Facility or a Liquidity Facility which are secured by a lien on and pledge of the Revenues which are equal to the lien and pledge thereon made by the Resolution.

(Section 7.06)

Enforcement of Obligations of the State University

The Authority shall take all legally available action to cause the State University to perform fully its obligation to pay the Basic Rent and other amounts which under the Agreement are to be paid to the Trustee, in the manner and at the times provided in the Agreement. The Authority shall take all legally available action to cause the State University to perform fully all duties and acts and comply fully with the covenants of the State University required by the Agreement in the manner and at the times provided in the Agreement; **provided. however**, that the Authority may delay or defer enforcement of one or more provisions of the Agreement (other than provisions requiring the payment of moneys to the Trustee for deposit to any fund or account established under the Resolution) if the Authority determines such delay or deferment will not materially adversely affect the interests of the Holders of the Bonds.

(Section 7.07)

Deposit of Certain Moneys in the Construction Fund

In addition to the proceeds of Bonds to be deposited in the Construction Fund, any moneys paid to the Authority for the acquisition, construction, reconstruction, rehabilitation or improvement of any Facility, including the proceeds of any insurance or condemnation award to be so applied, shall be deposited in the Construction Fund.

(Section 7.08)

Offices for Payment and Registration of Bonds

The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for payment. The Authority may, pursuant to a Supplemental Resolution or a Series Resolution or pursuant to a resolution adopted in accordance with the Resolution, designate an additional Paying Agent or Paying Agents where Bonds of the Series authorized thereby or referred to therein may be presented for payment. The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for registration, transfer or exchange and the Trustee is appointed as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds. The provisions of this section shall be subject to the provisions of the Resolution summarized under the heading "Place and Medium of Payment" above.

(Section 7.09)

Amendment, Change, Modification or Waiver of Agreement

1. Except as otherwise provided in the Resolution, the Agreement may not be amended, changed, modified or terminated, nor may any provision thereof be waived, without the consent of the Holders of Outstanding Bonds as provided in the Resolution, if such amendment, change, modification, termination or waiver (i) reduces the amount of Basic Rent payable on any date or delays the date on which Basic Rent is payable, (ii) modifies the provisions relating to the establishment and maintenance of, and the time and amounts required or permitted to be deposited to or withdrawn from, the Dormitory Income Account; provided, however, that, notwithstanding anything else in the Resolution, the Dormitory Income Account Reserve Requirement, as such term is defined in the Agreement, may be changed at any time so long as no Rating Service then rating the Bonds reduces or withdraws its rating as a result of such change, (iii) modifies the terms or conditions upon which the Agreement may be reinstated pursuant to Section 8.03 or 9.03 of the Agreement, (iv) waives or surrenders any right of the Authority to terminate the Agreement, **(**v**)** modifies the events which constitute events of default under Section 8.01 of the Agreement or diminishes, limits or conditions the rights of or remedies which may be exercised by the Authority upon the occurrence of an event of default under the Agreement or (vi) adversely affects the interests of Bondholders in any material respect.

No such amendment, change, modification, termination or waiver shall take effect unless the prior written consent of (a) the Holders of at least a majority in principal amount of the Bonds then Outstanding, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the amendment, change, modification, termination or waiver, the Holders of not less than a majority in principal amount of the Bonds of the Series so affected and then outstanding; provided, however, that if such amendment, change, modification, termination or waiver will, by its terms, not take effect so long as any Bonds of any specified Series and maturity remain outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section.

2. The Agreement may be amended, changed or modified or any provision thereof waived in any other respect without the consent of the Holders of Outstanding Bonds, except that no amendment, change or modification thereof to cure any ambiguity or defect or inconsistent provision in the Agreement or to insert such provisions clarifying matters or questions arising under the Agreement as are necessary or desirable, shall be made unless such amendment, change, modification or waiver is not contrary to or inconsistent with the Agreement as theretofore in effect and unless consented to by the Trustee.

3. No amendment, change, modification or termination of the Agreement or waiver of a provision thereof shall be made other than pursuant to a written instrument signed by the Authority and the State University. A copy of each such amendment, change, modification, termination or waiver shall be filed with the Trustee.

4. For the purposes of this Section, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to an amendment, change, modification, termination or waiver permitted by this Section with the same effect as a consent given by the Holder of such Bonds.

For the purposes of this Section, a Series shall be deemed to be adversely affected by an amendment, change, modification or waiver if the same adversely affects or diminishes the rights of the Holders of the Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of any particular Series would be adversely affected in any material respect by any amendment, change, modification or waiver, and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds.

For the purposes of this Section, the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee, with respect to whether any amendment, change, modification or waiver adversely affects the interests of any Holders of Bonds then Outstanding in any material respect.

(Section 7.10)

Notice as to Agreement Default

The Authority shall notify the Trustee that an “event of default” under Section 8.01 of the Agreement has occurred and is continuing, which notice shall be given within five (5) days after the Authority has obtained actual knowledge thereof.

(Section 7.11)

Basic Rent

The Agreement shall provide for the payment of Basic Rent which shall be sufficient at all times to pay the principal and Sinking Fund Installments of and interest on Outstanding Bonds as the same become due and payable.

(Section 7.12)

Sale, Lease or Condemnation of a Facility

The Authority shall not permit the sale, lease or other disposition of a Facility except in accordance with the provisions of the Agreement. The net proceeds of any condemnation which is not to be used for the repair and improvement of a Facility in accordance with Section 5.07 of the Agreement; and the net proceeds of any sale of a

Facility, shall be paid to the Trustee and deposited by it to the Debt Service Fund for application in accordance with the provisions of the Resolution summarized under the heading “Debt Service Fund” above.

(Section 7.16)

Compensation

Unless otherwise provided by contract with the Trustee or any Paying Agent, the Authority shall pay to the Trustee and to each Paying Agent, from time to time, reasonable compensation for all services rendered by it under the Resolution and under the applicable Series Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Resolution and under the applicable Series Resolution; provided, however, that neither the Trustee nor any Paying Agent shall be entitled to compensation for any expenses, charges, counsel fees or other disbursements incurred in connection with or incident to its resignation or its removal by the Holders of Bonds or by a court of competent jurisdiction as provided in the Resolution whether or not the same were incurred in or about the performance of its powers and duties under the Resolution or under a Series Resolution in connection with its resignation or removal. Neither the Trustee nor a Paying Agent shall have a lien therefor on any and all funds at any time held by it under the Resolution and under the applicable Series Resolution (other than the Arbitrage Rebate Fund) prior to any of the Bonds for which such services have been rendered. The Authority shall indemnify and save the Trustee and each Paying Agent harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Resolution and under the applicable Series Resolution and which are not due to its negligence or default. None of the provisions contained in the Resolution or in any Series Resolution shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to it. The Trustee shall not be required to take any action at the request or direction of a Facility Provider made or given pursuant to the Resolution unless and until such Facility Provider shall have indemnified and saved the Trustee harmless against any liabilities and all reasonable expenses, charges, counsel fees and other disbursements, including those of the Trustee’s attorneys, agents and employees, incurred in connection with or as a result of taking the action requested or directed by the Facility Provider to be taken.

(Section 8.06)

Modification and Amendment Without Consent

Notwithstanding any other provisions of the Resolution, the Authority may adopt at any time or from time to time Series Resolutions or Supplemental Resolutions for any one or more of the following purposes, and any such Series Resolution or Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority:

(a) To provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed;

(b) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(c) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(d) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(e) To confirm, as further assurance, any pledge under the Resolution, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution, of the Revenues, or any pledge of any other moneys, investments thereof or funds;

(f) To modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution or Series Resolution shall cease to be Outstanding, and all Bonds issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent Resolutions;

(g) To modify the provisions of the Resolution summarized in paragraph 1 under the heading "Investment of Funds and Accounts" above in any respect, provided that such modification shall not permit the investment of moneys in the Debt Service Fund in any manner inconsistent with such provisions and shall not result in the suspension, withdrawal or reduction by a Rating Service of the ratings assigned thereby to any of the Outstanding Bonds; or

(h) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable if any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Bondholders in any material respect.

(Section 9.01)

Supplemental Resolutions Effective with Consent of Bondholders

The provisions of the Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of Bondholders in accordance with and subject to the provisions of the Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority. The Trustee shall transmit a copy of such Supplemental Resolution to the State University upon its becoming effective.

(Section 9.02)

General Provisions Relating to Series Resolutions and Supplemental Resolutions

The Resolution shall not be modified or amended in any respect except in accordance with and subject to the provisions of this Resolution. Nothing contained in the Resolution shall affect or limit the rights or obligations of the Authority to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to the provisions of the Resolution or the right or obligation of the Authority to execute and deliver to the Trustee or any Paying Agent any instrument provided elsewhere in the Resolution or permitted to be delivered to the Trustee or any Paying Agent.

A copy of every Series Resolution and Supplemental Resolution adopted by the Authority, when filed with the Trustee, shall be accompanied by an opinion of Bond Counsel stating that such Series Resolution or Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution and is valid and binding upon the Authority and enforceable in accordance with its terms. The Trustee shall submit a copy of such Supplemental Resolution to the State University and to each Facility Provider upon its becoming effective.

The Trustee is by the Resolution authorized to accept delivery of a certified copy of any Series Resolution or Supplemental Resolution permitted or authorized pursuant to the provisions of the Resolution and to make all further agreements and stipulations which may be contained therein, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Series Resolution or Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

No Series Resolution or Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent shall become effective without the written consent of the Trustee or Paying Agent affected thereby.

(Section 9.03)

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds under the Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as summarized in the following paragraph, (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (iii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series, maturity and tenor remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Bondholders. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the Resolution.

(Section 10.01)

Consent of Bondholders

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions summarized in the preceding paragraph to take effect when and as provided in this Section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to the Bondholders (but failure to mail such copy and request to any particular Holder shall not affect the validity of the Supplemental Resolution when consented to as in this Section provided). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consent of the Holders of the percentages of the Outstanding Bonds specified as summarized in the preceding paragraph and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of the holding or owning at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive proof that the consents have been given by the Holders of the Bonds described in the certificate or certificates of the Trustee. Any consent given by a Bondholder shall be binding upon the Holder of Bonds giving such consent and, anything in the Resolution to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Bondholder giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee hereinafter in this Section provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that such Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive evidence that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this Section, shall be given to the Bondholders by the Authority by mailing such notice to the Bondholders and, at the discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee hereinabove provided for is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section provided). The Authority shall file with the Trustee proof of the mailing of such notice to the Bondholders, and, if the same shall have been published, of the publication thereof. A transcript, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Trustee, each Paying Agent, and the Holders of all Bonds upon the filing with the Trustee of proof of the mailing of such notice or at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the Authority, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

For the purposes of the Resolution, the purchasers of the Bonds of a Series, whether purchasing in connection with a primary offering or a reoffering of Bonds or as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to a modification or amendment permitted by the Resolution in the manner provided in the Resolution, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering or reoffering of the Bonds of such Series by the Authority.

(Section 10.02)

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Holders of the Bonds may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of a Supplemental Resolution certified by an Authorized Officer of the Authority and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Resolution, except that no notice to Bondholders either by mailing or publication shall be required.

(Section 10.03)

Events of Default

An event of default shall exist under the Resolution and under each Series Resolution (in the Resolution called an "event of default") if:

(a) Payment of the principal, Sinking Fund Installments or Redemption Price of any Bond shall not be made by the Authority when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) Payment of an installment of interest on any Bond shall not be made by the Authority when the same shall become due and payable; or

(c) With respect to the Bonds of any Series, the Authority shall default in the due and punctual performance of any covenants contained in the Series Resolution authorizing the issuance thereof to the effect that the Authority shall comply with the provisions of the Code applicable to such Bonds necessary to maintain the exclusion of interest therein from gross income under Section 103 of the Code and shall not take any action which would adversely affect the exclusion of interest on such Bonds from gross income under Section 103 of the Code and, as a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; or

(d) The Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Resolution or in the Bonds or in any Series Resolution on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, unless, if such default is not capable of being cured within thirty (30) days, the Authority has commenced to cure such default within said thirty (30) days and diligently prosecutes the cure thereof.

(Section 11.02)

Acceleration of Maturity

Upon the happing and continuance of any event of default, other than an event of default specified in the provisions of the Resolution summarized in paragraph (c) under the heading "Events of Default" above, then and in every such case the Trustee may, and, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, shall, by a notice in writing to the Authority, declare the principal of all of the Outstanding Bonds to be due and payable. At the expiration of thirty (30) days after such notice is given, such principal shall become and be immediately due and payable, anything in the Resolution or in any Series Resolution or in the Bonds to the contrary notwithstanding. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee shall, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds not then due by their terms and then Outstanding and by written notice to the Authority, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent; (iii) all other amounts then payable by the Authority under the Resolution and under each Series Resolution (other than principal amounts payable only because of a declaration and acceleration under this Section) shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Resolution or in any Series Resolution or in the Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this Section) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in the Resolution, then and in every such case, the Trustee may proceed, and upon the written request of the Facility Provider of a Credit Facility, or of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, or, in the case of a happening and continuance of an event of default specified in the provisions of the Resolution summarized in paragraph (c) under the heading "Events of Default" above, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall proceed (subject to the provisions of the Resolution summarized under the heading "Compensation" above), to protect and enforce its rights and the rights of the Bondholders or of such Facility Provider under the Resolution or under any Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under any Series Resolution or in aid or execution of any power in the Resolution or therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Resolution and under each Series Resolution the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any event of default becoming, and at any time remaining, due from the Authority for principal or interest or otherwise under any of the provisions of the Resolution or of any Series Resolution or of the Bonds, with interest on overdue payments of the principal of or interest on the Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under any Series Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against the Authority but solely as provided in the Resolution, in any Series Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

(Section 11.04)

Limitation of Rights of Individual Bondholders

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution, or for any other remedy under the Resolution unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, or, in the case of an event of default specified in the provisions of the Resolution summarized in paragraph (c) under the heading "Events of Default" above, the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are by the Resolution declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution, and in equity or at law. It is understood and intended that no one or more Holders of the Bonds secured by the Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds, except that any proceedings at law or in equity instituted or maintained on account of an event of default specified in the provisions of the Resolution summarized in paragraph (c) under the headings "Event of Default" above shall be instituted and maintained solely for the benefit of all Holders of the Bonds affected thereby. Notwithstanding any other provision of the Resolution, the Holder of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the stated maturity of such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

(Section 11.08)

Defeasance

1. If the Authority shall pay or cause to be paid to the Holders of Bonds of a Series the principal, Sinking Fund Installments, if any, or Redemption Price of and interest thereon, at the times and in the manner stipulated therein, in the Resolution and in the applicable Series Resolution and Bond Series Certificate, then the pledge of the Revenues or other moneys and securities pledged by the Resolution to such Bonds and all other rights granted by the Resolution to such Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Authority, and all moneys or investments thereof held by it pursuant to the Resolution and to the applicable Series Resolution which are not required for the payment or redemption of Bonds of such Series shall be paid or delivered by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Facility Provider; and, then, the balance thereof to the Authority. Such moneys or investments thereof so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution.

2. Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in subdivision 1of this Section. All Outstanding Bonds of any Series or any Sub-series or maturity within a Series or Sub-series or a portion of a maturity within a Series or Sub-Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subdivision 1 of this Section if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority, shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to mail as provided in the Resolution notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of said Bonds at their last known addresses appearing on the registration hooks, and, if directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds. The Authority shall give written notice to the Trustee of its selection of the Series, Sub-series and maturity payment of which shall be made in accordance with this Section. The Trustee shall select the Bonds of like Series, Sub-Series, maturity and tenor payment of which shall be made in accordance with this Section in the manner provided in the provisions of the Resolution summarized under the heading “Selection of Bonds to be Redeemed” above.

Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds; provided, however, that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date, as the case may be; provided, further, that Defeasance Securities may be withdrawn and used by the Authority for any purpose upon (i) the simultaneous substitution therefor of either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which, together with the moneys, if any, held by or deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (ii) receipt by the Trustee of a letter or other written report a Verification Agent verifying the accuracy of the arithmetical computations which establish the adequacy of such moneys and Defeasance Securities for such purpose. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required in the Resolution to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Facility Provider; and, then, the balance thereof to the Authority. The moneys so paid by the Trustee shall be released from any trust, pledge, lien, encumbrance or security interest created by the Resolution.

3. For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with clause (b) of the second sentence of subdivision 2 of this Section, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such Maximum Interest Rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Trustee for the payment of interest on such Variable Interest Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Interest Rate Bonds in order to satisfy clause (b) of the second sentence of subdivision 2 of this Section, the Trustee shall pay the amount of such excess as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Facility Provider; and, then, the balance thereof to the Authority. The moneys so paid by the Trustee shall be released from any trust, pledge, lien encumbrance or security interest created by the Resolution.

4. Option Bonds shall be deemed to have been paid in accordance with clause (b) of the second sentence of subdivision 2 of this Section only if, in addition to satisfying the requirements of clauses (a) and (c) of such sentence, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to subdivision 2 of this Section, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this paragraph 4. If any portion of the moneys deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose, the Trustee shall, if requested by the Authority, pay the amount of such excess as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Facility Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Facility Provider; and, then, the balance thereof to the Authority. The moneys so paid by the Trustee shall be released from any trust, pledge, lien encumbrance or security interest created by the Resolution.

5. Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Bonds of a Series or the interest thereon which remain unclaimed for one (1) year after the date when all of the Bonds of such Series have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, or for one (1) year after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after said date when all of the Bonds of such Series become due and payable, or one (1) year after

the date when the principal or Redemption Price of or interest on the Bonds for which said moneys is held was due and payable, shall, at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Authority for the payment of such Bonds; provided, however, that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority.

(Section 12.01)

Credit Facility Provider as Holder

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

(Section 14.08)

Appendix F

FORM OF APPROVING OPINION
OF BOND COUNSEL

[Dated the 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 $234,720,000 aggregate principal amount of Lease Revenue and Refunding Bonds (State University Dormitory 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, created and existing under and pursuant to the Constitution and statutes 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").

The Series 2012A Bonds are being issued and sold pursuant to the Dormitory Authority Act constituting Chapter 524 of The Laws of 1944 of New York and codified as Title 4 of Article 8 of the New York Public Authorities Law, as amended to the date hereof (the "Act"), and the Lease Revenue Bond Resolution (State University Dormitory Facilities Issue), adopted by the Authority on September 20, 1995, as amended and restated in its entirety on September 24, 2003 (the "Resolution"), the Series 2012A Resolution Authorizing a Series of Lease Revenue Bonds (State University Dormitory Facilities Issue), adopted by the Authority on June 20, 2012 (the "Series 2012A Resolution") and the Bond Series Certificate, dated as of September 11, 2012, relating to the Series 2012A Bonds (the "Bond Series Certificate"). Said resolutions and the Bond Series Certificate are herein collectively called the "Resolutions." Capitalized terms used but not defined 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 July 1 of each of the years and in the principal amounts set forth below:

Year	Amount	Interest Rate	Year	Amount	Interest Rate
2013	$8,580,000	2.000%	2024	$ 7,105,000	5.000%
2014	2,980,000	3.000	2025	7,595,000	5.000
2015	4,840,000	4.000	2026	7,965,000	5.000
2016	5,030,000	4.000	2027	8,370,000	5.000
2017	5,210,000	5.000	2028	6,470,000	5.000
2018	5,470,000	5.000	2029	6,790,000	5.000
2019	5,760,000	4.000	2030	7,130,000	5.000
2020	6,390,000	5.000	2031	7,485,000	5.000
2021	6,705,000	5.000	2032	4,340,000	5.000
2022	7,050,000	5.000	2032	3,480,000	3.000
2023	2,015,000	4.000	2037	45,245,000	5.000
2023	4,835,000	5.000	2042	57,760,000	5.000
2024	120,000	4.000			

The Series 2012A Bonds are issuable in the form of fully registered Bonds in the denomination of $5,000 or integral multiples thereof. The Series 2012A Bonds are numbered consecutively from one upward in order of issuance.

The Series 2012A Bonds are subject to redemption and purchase in lieu of optional redemption prior to maturity as provided in the Resolutions.

The Authority and the State University of New York (the “University”) have entered into a Lease and Agreement, dated as of September 20, 1995, as amended and restated as of September 24, 2003 (the “Agreement”), by which the University is required to make payments sufficient to pay the principal and Redemption Price of and interest on Outstanding Bonds, including the Series 2012A Bonds, as well as certain fees and expenses of the Authority. Amounts payable pursuant to the Agreement for the payment of the principal or Redemption Price of or interest on Outstanding Bonds have been pledged by the Authority for the benefit of the holders of the 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 Bonds thereunder, including the Series 2012A Bonds.

2. The Series 2012A Resolution has been duly adopted in accordance with the provisions of the Resolution and is authorized and permitted by the Resolution. The Resolutions 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 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, together with all other Bonds issued under the Resolutions, to the equal benefits of the Resolutions and the Act.

4. The Authority has the right and lawful authority and power to enter into the Agreement and the Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

5.* The Internal Revenue Code of 1986 (the "Code") sets forth 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 Series 2012A Resolution, the Agreement and the Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code (the "Tax Certificate"), the Authority, and the University have 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 and the University have made certain representations and certifications in the Series 2012A Resolution, the Agreement and the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

Under existing law, assuming compliance with certain covenants described herein, and the accuracy of the aforementioned representations and certifications, 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 certain corporations for purposes of computing the alternative minimum tax imposed on 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.

The opinions contained in paragraphs 2, 3 and 4 above are qualified to the extent that the enforceability of the Resolutions, the Series 2012A Bonds and the Agreement may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally or as to the availability of any particular remedy.

Except as stated in 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. We have assumed the due authorization, execution and delivery of the Agreement by the University.

Very truly yours,

* Opinion to be rendered only by Nixon Peabody LLP.

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DORMITORY AUTHORITY OF THE STATE OF NEW YORK • LEASE REVENUE BONDS (STATE UNIVERSITY DORMITORY FACILITIES ISSUE), SERIES 2012A

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