



\$877,660,000		
DORMITORY AUTHORITY OF THE STATE OF NEW YORK		
STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE)		
\$762,340,000	\$54,715,000	\$60,605,000
Series 2012D	Series 2012E	Series 2012F
(Tax-Exempt)	(Tax-Exempt)	(Federally Taxable)
Dated: Date of Delivery		Due: As Shown on the Inside Cover

The Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (General Purpose), Series 2012D (Tax-Exempt) (the "Series 2012D Bonds"), the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (General Purpose), Series 2012E (Tax-Exempt) (the "Series 2012E Bonds"), and the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (General Purpose), Series 2012F (Federally Taxable) (the "Series 2012F Bonds" and, together with the Series 2012D Bonds and the Series 2012E Bonds, the "Series 2012 Bonds"), are special obligations of the Dormitory Authority of the State of New York (the "Authority"). The Series 2012 Bonds are secured by a pledge of certain payments (the "Financing Agreement Payments") to be made to the Trustee on behalf of the Authority by the State of New York (the "State") under a Financing Agreement between the Authority and the State. Financing Agreement Payments are payable from amounts legally required to be deposited into the Revenue Bond Tax Fund (as hereinafter defined) to provide for the payment of the Series 2012 Bonds and all other State Personal Income Tax Revenue Bonds (as hereinafter defined). The Revenue Bond Tax Fund receives a statutory allocation of 25 percent of State personal income tax receipts imposed by Article 22 of the New York State Tax Law (the "New York State Personal Income Tax Receipts") as more fully described herein.

The Authority is one of five Authorized Issuers (as hereinafter defined) that can issue State Personal Income Tax Revenue Bonds. All financing agreements entered into by the State to secure State Personal Income Tax Revenue Bonds shall be executory only to the extent of the revenues available in the Revenue Bond Tax Fund. The obligation of the State to make financing agreement payments is subject to the State Legislature (as hereinafter defined) making annual appropriations for such purpose and such obligation does not constitute or create a debt of the State, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal or moral obligation to appropriate money for payments due under any financing agreement. Nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the State Personal Income Tax.

The Series 2012 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2012 Bonds be payable out of any funds other than those of the Authority pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on the Series 2012 Bonds. The Authority has no taxing power.

The Series 2012 Bonds will be issued as fixed rate obligations, fully registered, in denominations of \$5,000 or any integral multiple thereof. The Series 2012 Bonds will bear interest at the rates and mature at the times shown on the inside cover page hereof. Interest on the Series 2012 Bonds is payable on each February 15 and August 15, commencing August 15, 2013.

The Series 2012 Bonds will be initially issued under a book-entry only system and will be registered in the name of Cede & Co., as Bondholder and nominee of The Depository Trust Company, New York, New York. See "PART 8—BOOK-ENTRY ONLY SYSTEM" herein. So long as Cede & Co., as nominee for DTC, is the registered owner of the Series 2012 Bonds, payments of principal or redemption price of and interest on the Series 2012 Bonds will be made by U.S. Bank National Association, as Trustee and Paying Agent, to Cede & Co.

The Series 2012 Bonds are subject to redemption prior to maturity as more fully described herein.

In the opinions of Hawkins Delafield & Wood LLP and Bryant Rabbino LLP, co-bond counsel to the Authority (collectively, "Co-Bond Counsel"), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2012D Bonds and the Series 2012E Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any Series 2012E Bond for any period during which the Series 2012E Bond is held by a person who, within the meaning of section 147(a) of the Code, is a "substantial user" of the facilities financed with proceeds of the Series 2012E Bonds or a "related person," (ii) interest on the Series 2012D Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations, and (iii) interest on the Series 2012E Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. Co-Bond Counsel also are of the opinion that interest on the Series 2012F Bonds is included in gross income for Federal income tax purposes pursuant to the Code. In addition, Co-Bond Counsel are of the opinion that under existing statutes, interest on the Series 2012 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See "PART 13—TAX MATTERS" herein regarding certain other tax considerations.

The Series 2012 Bonds are offered, when, as and if issued and delivered to the Underwriters (as defined herein), and are subject to approval of legality by Hawkins Delafield & Wood LLP, New York, New York, and Bryant Rabbino LLP, New York, New York, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Winston & Strawn LLP, New York, New York. It is expected that the Series 2012 Bonds will be delivered in definitive form in New York, New York on or about October 18, 2012.

<p>BofA Merrill Lynch Barclays Citigroup Goldman, Sachs & Co. Jefferies M.R. Beal & Company Morgan Stanley Ramirez & Co., Inc. Rice Financial Products Company Sterne, Agee & Leach, Inc. The Williams Capital Group L.P.</p>	<p>J.P. Morgan BB&T Capital Markets Edward Jones Guggenheim Securities Lebenthal & Co., LLC M&T Securities, Inc. Oppenheimer & Co., Inc. Raymond James Morgan Keegan Roosevelt and Cross Incorporated Stifel, Nicolaus & Company, Incorporated US Bancorp</p>	<p>Siebert Brandford Shank & Co., L.L.C. Blaylock Robert Van, LLC Fidelity Capital Markets Janney Montgomery Scott LLC Loop Capital Markets LLC Mesirov Financial, Inc. Piper Jaffray & Co. RBC Capital Markets Southwest Securities, Inc. TD Securities LLC Wells Fargo Securities</p>
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MATURITIES, AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS

\$762,340,000

State Personal Income Tax Revenue Bonds (General Purpose), Series 2012D (Tax-Exempt)

<u>Due</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP Number[†]</u>	<u>Due</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP Number[†]</u>
8/15/2013	\$42,795,000	2.500%	0.200%	64990EGM3	2/15/2022	\$13,145,000	5.000%	1.970%	64990EGZ4
2/15/2014	3,240,000	2.000	0.310	64990EFN2	8/15/2022	9,120,000	5.000	2.050	64990EGP6
2/15/2014	15,815,000	5.000	0.310	64990EGS0	2/15/2023	24,315,000	5.000	2.140*	64990EFX0
2/15/2015	685,000	3.000	0.430	64990EFP7	2/15/2024	23,615,000	5.000	2.240*	64990EFY8
2/15/2015	6,820,000	5.000	0.430	64990EGT8	2/15/2025	25,240,000	5.000	2.320*	64990EFZ5
2/15/2016	1,000,000	1.500	0.560	64990EFQ5	2/15/2026	26,375,000	5.000	2.420*	64990EGA9
2/15/2016	6,515,000	5.000	0.560	64990EGU5	2/15/2027	29,835,000	5.000	2.490*	64990EGB7
2/15/2017	2,305,000	2.000	0.730	64990EFR3	2/15/2028	33,395,000	5.000	2.590*	64990EGC5
2/15/2017	5,705,000	5.000	0.730	64990EGV3	8/15/2028	8,595,000	5.000	2.590*	64990EGQ4
2/15/2018	1,250,000	3.000	0.940	64990EFS1	2/15/2029	5,720,000	3.000	1.000	64990EGD3
2/15/2018	14,515,000	5.000	0.940	64990EGW1	2/15/2029	21,525,000	5.000	2.650*	64990EHB6
2/15/2019	25,480,000	4.000	1.180	64990EFT9	2/15/2030	25,345,000	5.000	2.710*	64990EGE1
2/15/2020	2,560,000	2.000	1.460	64990EFU6	2/15/2031	26,385,000	5.000	2.770*	64990EGF8
2/15/2020	23,440,000	5.000	1.460	64990EGX9	8/15/2031	460,000	5.000	2.770*	64990EGR2
2/15/2021	14,310,000	3.000	1.730	64990EFV4	2/15/2032	24,145,000	5.000	2.810*	64990EGG6
2/15/2021	13,030,000	5.000	1.730	64990EGY7	2/15/2033	21,825,000	5.000	2.880*	64990EGH4
8/15/2021	17,540,000	5.000	1.850	64990EGN1	2/15/2034	22,915,000	5.000	2.950*	64990EGJ0
2/15/2022	2,040,000	2.000	1.970	64990EFW2					

\$25,670,000 3.500% Term Bond due February 15, 2037 Price 100% CUSIP Number[†] 64990EGK7

\$49,790,000 5.000 % Term Bond due February 15, 2037 Yield 3.130%* CUSIP Number[†] 64990EHC4

\$83,230,000 5.000% Term Bond due February 15, 2040 Yield 3.180%* CUSIP Number[†] 64990EHA8

\$62,650,000 5.000% Term Bond due February 15, 2042 Yield 3.200%* CUSIP Number[†] 64990EGL5

\$54,715,000

State Personal Income Tax Revenue Bonds (General Purpose), Series 2012E (Tax-Exempt)

<u>Due</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number[†]</u>	<u>Due</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number[†]</u>
2/15/2014	\$ 545,000	2.500%	0.360%	64990EHD2	2/15/2025	\$2,110,000	5.000%	2.450%*	64990EHQ3
2/15/2015	1,400,000	3.000	0.480	64990EHE0	2/15/2026	2,215,000	5.000	2.550*	64990EHR1
2/15/2016	1,440,000	5.000	0.660	64990EHF7	2/15/2027	2,325,000	5.000	2.620*	64990EHS9
2/15/2017	1,515,000	5.000	0.880	64990EHG5	2/15/2028	2,440,000	5.000	2.720*	64990EHT7
2/15/2018	1,590,000	2.000	1.090	64990EHH3	2/15/2029	2,565,000	5.000	2.790*	64990EHU4
2/15/2019	1,620,000	4.000	1.350	64990EHJ9	2/15/2030	2,695,000	5.000	2.850*	64990EHV2
2/15/2020	1,685,000	5.000	1.660	64990EHK6	2/15/2031	2,825,000	5.000	2.910*	64990EHW0
2/15/2021	1,770,000	5.000	1.900	64990EHL4	2/15/2032	2,970,000	5.000	2.980*	64990EHX8
2/15/2022	1,860,000	3.000	2.120	64990EHM2	2/15/2033	3,115,000	5.000	3.050*	64990EHY6
2/15/2023	1,915,000	5.000	2.270*	64990EHN0	2/15/2034	3,270,000	5.000	3.130*	64990EHZ3
2/15/2024	2,010,000	5.000	2.370*	64990EHP5					

\$10,835,000 5.000% Term Bond due February 15, 2037 Yield 3.280%* CUSIP Number[†] 64990EJA6

\$60,605,000

State Personal Income Tax Revenue Bonds (General Purpose), Series 2012F (Federally Taxable)

<u>Due</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP Number[†]</u>	<u>Due</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP Number[†]</u>
2/15/2014	\$2,400,000	0.570%	100%	64990EJB4	2/15/2019	\$5,470,000	1.900%	100%	64990EJG3
2/15/2015	7,990,000	0.705	100	64990EJC2	2/15/2020	5,895,000	2.192	100	64990EJH1
2/15/2016	8,035,000	1.003	100	64990EJD0	2/15/2021	5,930,000	2.392	100	64990EJJ7
2/15/2017	8,115,000	1.273	100	64990EJE8	2/15/2022	8,555,000	2.592	100	64990EJK4
2/15/2018	8,215,000	1.550	100	64990EJF5					

[†] Copyright, American Bankers Association. CUSIP numbers have been assigned by Standard & Poor's, CUSIP Service Bureau and are provided solely for the convenience of the holders of the Series 2012 Bonds. Neither the Authority nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2012 Bonds or as indicated above. The CUSIP numbers are subject to change after the issuance of the Series 2012 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2012 Bonds.

* Priced at the stated yield to the February 15, 2022 optional redemption date at a redemption price equal to 100%.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2012 Bonds by any person in any jurisdiction in which it is unlawful for the person to make such offer, solicitation or sale. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of any such information. The information set forth herein has been provided by the Authority, the State and other sources which are believed to be reliable by the Authority and with respect to the information supplied or authorized by the State, is not to be construed as a representation by the Authority. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the State. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH, TO THE EXTENT THEY ARE NOT RECITATIONS OF HISTORICAL FACT, CONSTITUTE "FORWARD LOOKING STATEMENTS." IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. A NUMBER OF IMPORTANT FACTORS AFFECTING THE AUTHORITY AND THE STATE'S FINANCIAL RESULTS COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE STATED IN THE FORWARD-LOOKING STATEMENTS.

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PART 1—SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement and should not be considered a complete statement of the facts material to making an investment decision. The offering of the Series 2012 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Summary Statement and not defined in this Summary Statement will have the meanings given to such terms elsewhere in this Official Statement.

<p>State Personal Income Tax Revenue Bond Financing Program</p>	<p>Part I of Chapter 383 of the Laws of New York of 2001, as amended from time to time (the “Enabling Act”), provides for the issuance of, and a source of payment for, State Personal Income Tax Revenue Bonds (the “State Personal Income Tax Revenue Bonds”) by establishing the Revenue Bond Tax Fund (the “Revenue Bond Tax Fund”) held separate and apart from all other moneys of New York State (the “State”) in the joint custody of the State Commissioner of Taxation and Finance (the “Commissioner”) and the Comptroller of the State (the “State Comptroller”).</p> <p>The Enabling Act authorizes the Dormitory Authority of the State of New York (the “Authority”), the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency, the New York State Thruway Authority and the New York State Urban Development Corporation (collectively, the “Authorized Issuers”) to issue State Personal Income Tax Revenue Bonds for certain authorized purposes (the “Authorized Purposes”). All five Authorized Issuers have adopted one or more general resolutions and have executed financing agreements with the Director of the Division of the Budget of the State (the “Director of the Budget”) pursuant to the Enabling Act. The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds issued by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. References to financing agreements, financing agreement payments and general resolutions contained in this Official Statement mean generically the financing agreements, financing agreement payments and general resolutions of all Authorized Issuers, including the Authority.</p> <p>State Personal Income Tax Revenue Bonds issued by an Authorized Issuer are secured by a pledge of (i) the payments made pursuant to a financing agreement entered into by such Authorized Issuer with the Director of the Budget and (ii) certain funds held by the applicable trustee or Authorized Issuer under a general resolution and the investment earnings thereon; which together constitute the pledged property under the applicable general resolution.</p>
<p>Purpose of Issue; Security for Series 2012 Bonds</p>	<p>The Series 2012 Bonds are being issued for the purposes of financing Authorized Purposes.</p> <p>The Series 2012D Bonds are being issued: (a) to finance or reimburse all or a portion of the costs of (i) capital projects for the State University of New York (“SUNY”) Educational Facilities, (ii) the State’s share of various SUNY Upstate Community College facilities, (iii) certain State and voluntary agency facilities for the Office of Mental Health (“OMH”) and the Office of Alcoholism and Substance Abuse Services (“OASAS”), (iv) State grants for library facilities, (v) certain State matching grants under the Higher Education Capital Matching Grant Program (the “HECap Program”) and (vi) grants to school districts under the Expanding Our Children’s Education and Learning</p>

<p>Purpose of Issue; Security for Series 2012 Bonds (continued)</p>	<p>(“EXCEL”) program; and (b) to refund (i) certain outstanding bonds previously issued by the Authority under the Mental Health Services Facilities Improvement Revenue Bond program, the SUNY Educational Facilities program and the State Personal Income Tax Revenue Bond program, (ii) certain outstanding bonds issued by New York State Environmental Facilities Corporation (“EFC”) under the State Personal Income Tax Revenue Bond program and (iii) the outstanding Long Island College Hospital FHA-Insured Mortgage Hospital Revenue Bonds, Series 2004A and Series 2004B. The Series 2012E Bonds are being issued to finance certain voluntary agency facilities for OMH. The Series 2012F Bonds are being issued to finance or reimburse a portion of the costs of capital projects for the SUNY Educational Facilities and to refund certain outstanding bonds issued by the Authority under the Mental Health Services Facilities Improvement Revenue Bond program. See “APPENDIX F—SUMMARY OF REFUNDED BONDS” for a complete list of bonds to be refunded.</p> <p>In addition, proceeds of the Series 2012 Bonds will be used to pay all or part of the cost of issuance of the Series 2012 Bonds. See “PART 2—INTRODUCTION”, “PART 6—THE PROJECTS” and “PART 7—THE REFUNDING PLAN” for a more complete description of the application of proceeds of the Series 2012 Bonds.</p> <p>The Series 2012 Bonds are special obligations of the Authority, secured by a pledge of the financing agreement payments (the “Financing Agreement Payments”) to be made by the State Comptroller to the Trustee pursuant to the financing agreement entered into by the Authority with the Director of the Budget (the “Financing Agreement”).</p> <p>The Series 2012 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2012 Bonds be payable out of any funds other than those of the Authority pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of or interest on the Series 2012 Bonds. The Authority has no taxing power.</p> <p>The Series 2012 Bonds are not secured by the projects financed with the proceeds of the Series 2012 Bonds or any interest therein.</p>
<p>Sources of Payment and Security for State Personal Income Tax Revenue Bonds— Revenue Bond Tax Fund Receipts</p>	<p>The Enabling Act provides that 25 percent of the receipts from the New York State personal income tax, which excludes refunds owed to taxpayers (the “New York State Personal Income Tax Receipts”), shall be deposited in the Revenue Bond Tax Fund. Legislation, effective April 1, 2007, increased deposits to the Revenue Bond Tax Fund by amending the Enabling Act to provide that deposits to the Revenue Bond Tax Fund be calculated before the deposit of New York State Personal Income Tax Receipts to the School Tax Relief Fund (the “STAR Fund”). Prior to such date, New York State Personal Income Tax Receipts were also net of STAR Fund refunds and deposits.</p> <p>The State Comptroller is required by the Enabling Act to deposit in the Revenue Bond Tax Fund all of the receipts collected from payroll withholding taxes (the “Withholding Component”) until an amount equal to 25 percent of the estimated monthly New York State Personal Income Tax Receipts has been deposited into the Revenue Bond Tax Fund (the “Revenue Bond Tax Fund Receipts”).</p>

Sources of Payment and Security for State Personal Income Tax Revenue Bonds— Revenue Bond Tax Fund Receipts

(continued)

New York State Personal Income Tax Receipts, the Withholding Component and the Revenue Bond Tax Fund Receipts for State Fiscal Years 2010-11 through 2012-13 are as follows:

<u>State Fiscal Year</u>	<u>New York State Personal Income Tax Receipts</u> <i>(\$ in billions)</i>	<u>Withholding Component</u>	<u>Revenue Bond Tax Fund Receipts</u>
2010-11	36.2	31.2	9.1
2011-12	38.8	31.2	9.7
2012-13*	40.3	32.2	10.1

* As estimated in the First Quarterly Update to the 2012-13 Financial Plan.

The Series 2012 Bonds are special obligations of the Authority, being secured by, among other things, a pledge of Financing Agreement Payments to be made by the State Comptroller to the Trustee on behalf of the Authority and certain funds held by the Trustee under the Authority’s State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution (the “General Resolution”).

The Series 2012 Bonds are issued on a parity with all other Bonds which may be issued under the General Resolution. All State Personal Income Tax Revenue Bonds are on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation from the State.

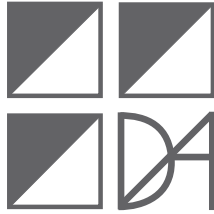
Financing agreement payments are made from certain personal income taxes imposed by the State of New York on a statewide basis and deposited, as required by the Enabling Act, to the Revenue Bond Tax Fund. The financing agreement payments are to be paid by the State Comptroller to the applicable trustees on behalf of the Authorized Issuers from amounts deposited to the Revenue Bond Tax Fund. Financing agreement payments are to equal amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Revenue Bonds. **All payments required by financing agreements entered into by the State are executory only to the extent of the revenues available in the Revenue Bond Tax Fund. The obligation of the State to make financing agreement payments is subject to the State Legislature (the “State Legislature”) making annual appropriations for such purpose and such obligation does not constitute or create a debt of the State, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal or moral obligation to appropriate money for payments due under any financing agreement.**

The Enabling Act provides that: (i) no person (including the Authorized Issuers or the holders of State Personal Income Tax Revenue Bonds) shall have any lien on amounts on deposit in the Revenue Bond Tax Fund; (ii) Revenue Bond Tax Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the

<p>Sources of Payment and Security for State Personal Income Tax Revenue Bonds— Revenue Bond Tax Fund Receipts (continued)</p>	<p>New York State Personal Income Tax. For additional information, see “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS” and “PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND.”</p> <p>The Series 2012 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2012 Bonds be payable out of any funds other than those of the Authority pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of or interest on the Series 2012 Bonds. The Authority has no taxing power.</p>
<p>Set Aside for Purpose of Making Financing Agreement Payments</p>	<p>The Enabling Act, general resolutions and financing agreements provide procedures for setting aside Revenue Bond Tax Fund Receipts designed to ensure that sufficient amounts are available in the Revenue Bond Tax Fund to make financing agreement payments to the applicable trustees on behalf of all Authorized Issuers, subject to annual appropriation by the State Legislature.</p> <p>The Enabling Act requires the Director of the Budget to annually prepare a certificate (which may be amended as necessary or required) which estimates monthly Revenue Bond Tax Fund Receipts anticipated to be deposited to the Revenue Bond Tax Fund and the amount of all set-asides necessary to make all financing agreement payments of all the Authorized Issuers. The Director of the Budget has prepared such certificate for State Fiscal Year 2012-13.</p> <p>See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS.”</p>
<p>Availability of General Fund to Satisfy Set-Aside of Revenue Bond Tax Fund Receipts</p>	<p>If at any time the amount of Revenue Bond Tax Fund Receipts set aside, as certified by the Director of the Budget, is insufficient to make all appropriated financing agreement payments on all State Personal Income Tax Revenue Bonds, the State Comptroller is required by the Enabling Act, without further appropriation, to immediately transfer amounts from the General Fund of the State to the Revenue Bond Tax Fund sufficient to satisfy the cash requirements of the Authorized Issuers. Subject to annual appropriation, amounts so transferred to the Revenue Bond Tax Fund will be applied to pay the required financing agreement payments.</p>
<p>Moneys Held in Revenue Bond Tax Fund if State Fails to Appropriate or Pay Required Amounts</p>	<p>In the event that (i) the State Legislature fails to appropriate all amounts required to make financing agreement payments on State Personal Income Tax Revenue Bonds to all Authorized Issuers or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on any State Personal Income Tax Revenue Bonds, the Enabling Act requires that all of the receipts from the Withholding Component shall continue to be deposited in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 25 percent of annual New York State Personal Income Tax Receipts or six billion dollars (\$6,000,000,000). Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or use of such moneys by the State for any other purpose (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been</p>

<p>Moneys Held in Revenue Bond Tax Fund if State Fails to Appropriate or Pay Required Amounts (continued)</p>	<p>made to the trustees, on behalf of each Authorized Issuer, including the Authority.</p> <p>After the required appropriations and financing agreement payments have been made, excess moneys in the Revenue Bond Tax Fund are paid over and distributed to the credit of the State’s General Fund. See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS—Moneys Held in the Revenue Bond Tax Fund.”</p>
<p>Additional Bonds and Debt Service Coverage</p>	<p>As provided in each of the general resolutions, additional bonds may be issued only if the amount of Revenue Bond Tax Fund Receipts for any 12 consecutive calendar months ended not more than six months prior to the date of such calculation, as certified by the Director of the Budget, is at least 2.0 times the maximum Calculated Debt Service on all outstanding State Personal Income Tax Revenue Bonds, additional State Personal Income Tax Revenue Bonds proposed to be issued and any additional amounts payable with respect to parity reimbursement obligations.</p> <p>Subject to: (i) statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and (ii) the additional bonds test described above, the Authority and other Authorized Issuers may issue additional State Personal Income Tax Revenue Bonds.</p> <p>In accordance with the additional bonds test above, Revenue Bond Tax Fund Receipts of approximately \$9.7 billion are available to pay financing agreement payments on a pro forma basis, which amount represents approximately 4.0 times the maximum annual Debt Service for all Outstanding State Personal Income Tax Revenue Bonds, including the projected debt service on the Series 2012 Bonds. As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been met. See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS—Additional Bonds.”</p> <p>As of September 15, 2012, approximately \$25.9 billion of State Personal Income Tax Revenue Bonds were outstanding.</p>
<p>Continuing Disclosure</p>	<p>In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, all Authorized Issuers, the State and each applicable trustee, including the Trustee, have entered into a Master Continuing Disclosure Agreement, as amended and restated. See “PART 20—CONTINUING DISCLOSURE” and “APPENDIX E—EXECUTED COPY OF MASTER CONTINUING DISCLOSURE AGREEMENT.”</p>

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DORMITORY AUTHORITY – STATE OF NEW YORK
PAUL T. WILLIAMS, JR. – PRESIDENT

515 BROADWAY, ALBANY, N.Y. 12207
ALFONSO L. CARNEY, JR., ESQ. – CHAIR

OFFICIAL STATEMENT

Relating to

\$877,660,000

DORMITORY AUTHORITY OF THE STATE OF NEW YORK
STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE)

\$762,340,000
Series 2012D
(Tax-Exempt)

\$54,715,000
Series 2012E
(Tax-Exempt)

\$60,605,000
Series 2012F
(Federally Taxable)

PART 2—INTRODUCTION

The purpose of this Official Statement, including the cover page, the inside cover page and appendices, is to set forth certain information concerning the Dormitory Authority of the State of New York (the “Authority”), a public benefit corporation of the State of New York (the “State”), in connection with the offering by the Authority of its \$762,340,000 State Personal Income Tax Revenue Bonds (General Purpose), Series 2012D (Tax-Exempt) (the “Series 2012D Bonds”), \$54,715,000 State Personal Income Tax Revenue Bonds (General Purpose), Series 2012E (Tax-Exempt) (the “Series 2012E Bonds”), and \$60,605,000 State Personal Income Tax Revenue Bonds (General Purpose), Series 2012F (Federally Taxable) (the “Series 2012F Bonds” and, together with the Series 2012D Bonds and the Series 2012E Bonds, the “Series 2012 Bonds”). The interest rates, maturity dates, and prices or yields of the Series 2012 Bonds being offered hereby are set forth on the inside cover page of this Official Statement.

This Official Statement also summarizes certain information concerning the provisions of the State Finance Law with respect to the issuance of State Personal Income Tax Revenue Bonds (the “State Personal Income Tax Revenue Bonds”), including the Series 2012 Bonds, and the statutory allocation of 25 percent of the receipts from the New York State Personal Income Tax imposed by Article 22 of the New York State Tax Law (“Tax Law”) which, pursuant to Section 171-a of the Tax Law (the “New York State Personal Income Tax Receipts”), are required to be deposited in the Revenue Bond Tax Fund (the “Revenue Bond Tax Fund”) to provide for the payment of State Personal Income Tax Revenue Bonds. Such New York State Personal Income Tax Receipts currently exclude refunds owed to taxpayers.

The State expects that State Personal Income Tax Revenue Bonds will continue to be the primary financing vehicle for a broad range of State-supported financing programs secured by service contract, financing agreement or lease-purchase payments subject to appropriation by the State Legislature.

The Authority is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public-purpose facilities for certain educational, governmental and not-for-profit institutions. The Authority has no taxing power. See “PART 11—THE AUTHORITY.”

The Series 2012 Bonds are authorized to be issued pursuant to Part I of Chapter 383 of the Laws of New York of 2001, as amended from time to time (the “Enabling Act”), and the Dormitory Authority Act, constituting Title 4 of Article 8 of the Public Authorities Law of the State of New York, as amended and supplemented (the “Authority Act”), and other provisions of State law. The Enabling Act authorizes the Authority, the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency, the New York State Thruway Authority and the New York State Urban Development Corporation (collectively, the “Authorized Issuers”) to issue State Personal Income Tax Revenue Bonds for certain purposes for which State-supported Debt (as defined by Section 67-a of the State Finance Law and as limited by the Enabling Act) may be issued (“Authorized Purposes”). Legislation has been enacted permitting the transfer of other monies into the Revenue Bond Tax Fund.

The Series 2012 Bonds are additionally authorized under the Authority’s State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution, adopted by the Authority on April 29, 2009 (the “General Resolution”), as supplemented by the Authority’s Supplemental Resolution 2012-2 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by the Authority on May 23, 2012, and the Authority’s Supplemental Resolution 2012-4 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by the Authority on July 25, 2012 (collectively, the “Series 2012 Supplemental Resolutions”) (such General Resolution, together with the Series 2012 Supplemental Resolutions, being herein, except as the context otherwise indicates, collectively referred to as the “Resolution,” and any bonds issued pursuant to the General Resolution, including the Series 2012 Bonds, being herein referred to as the “Bonds”).

The Series 2012 Bonds, and any additional series of Bonds which have heretofore been issued and which may hereafter be issued under the General Resolution, will be equally and ratably secured thereunder. The Series 2012 Bonds and all other State Personal Income Tax Revenue Bonds issued by an Authorized Issuer are secured by a pledge of (i) the payments made pursuant to one or more financing agreements entered into by such Authorized Issuer with the Director of the Division of the Budget of the State (the “Director of the Budget”) and (ii) certain funds held by the applicable trustee or Authorized Issuer under a general resolution and the investment earnings thereon (collectively the “Pledged Property”). The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds issued by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. The financing agreement payments are to equal amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Revenue Bonds. The making of financing agreement payments to the Authorized Issuers is subject to annual appropriation by the State Legislature.

References to financing agreements, financing agreement payments and general resolutions contained in this Official Statement mean generically the financing agreements, financing agreement payments and general resolutions of all Authorized Issuers, including the Authority. Descriptions of the provisions of the Enabling Act contained in this Official Statement are of the Enabling Act as it exists on the date of this Official Statement.

All State Personal Income Tax Revenue Bonds are on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation by the State. As of September 15, 2012, approximately \$25.9 billion of State Personal Income Tax Revenue Bonds were outstanding. See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS—Series 2012 Bonds” and “—Additional Bonds.”

The Series 2012 Bonds are being issued for the purposes of financing Authorized Purposes. The Series 2012D Bonds are being issued: (a) to finance or reimburse all or a portion of the costs of (i) capital projects for the State University of New York (“SUNY”) Educational Facilities, (ii) the State’s share of various SUNY Upstate Community College facilities, (iii) certain State and voluntary agency facilities for the Office of Mental Health (“OMH”) and the Office of Alcoholism and Substance Abuse Services (“OASAS”), (iv) State grants for library facilities, (v) certain State matching grants under the Higher Education Capital Matching Grant Program (the “HECap Program”) and (vi) grants to school districts under the Expanding Our Children’s Education and Learning (“EXCEL”) program; and (b) to refund (i) certain outstanding bonds previously issued by the Authority under the Mental Health Services Facilities Improvement Revenue Bond program, the SUNY Educational Facilities program and the State Personal Income Tax Revenue Bond program, (ii) certain outstanding bonds issued by New York State Environmental Facilities Corporation (“EFC”) under the State Personal Income Tax Revenue Bond program and (iii) the outstanding Long Island College Hospital FHA-Insured Mortgage Hospital Revenue Bonds, Series 2004A and Series 2004B. The Series 2012E Bonds are being issued to finance certain voluntary agency facilities for OMH. The Series 2012F Bonds are being issued to finance or reimburse a portion of the costs of capital projects for the SUNY Educational Facilities and to refund certain outstanding bonds issued by the Authority under the Mental Health Services Facilities Improvement Revenue Bond program. See “APPENDIX F—SUMMARY OF REFUNDED BONDS” for a complete list of bonds to be refunded. See “PART 6—THE PROJECTS” and “PART 7—THE REFUNDING PLAN” for a more complete description of the application of proceeds of the Series 2012 Bonds. **The Series 2012 Bonds are not secured by the Projects or any interest therein.**

The Series 2012 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2012 Bonds be payable out of any funds other than those of the Authority pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on the Series 2012 Bonds. The Authority has no taxing power.

Capitalized terms used herein unless otherwise defined have the same meaning as ascribed to them in the General Resolution. See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Certain Defined Terms.”

PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS

The Revenue Bond Tax Fund

The Enabling Act provides a source of payment for State Personal Income Tax Revenue Bonds by establishing the Revenue Bond Tax Fund for the purpose of setting aside New York State Personal Income Tax Receipts sufficient to make financing agreement payments to Authorized Issuers. The Enabling Act establishes the Revenue Bond Tax Fund to be held in the joint custody of the State Comptroller (the “State Comptroller”) and the Commissioner of Taxation and Finance (the “Commissioner”) and requires that all moneys on deposit in the Revenue Bond Tax Fund be held separate and apart from all other moneys in the joint custody of the State Comptroller and the Commissioner. The source of the financing agreement payments is a statutory allocation of 25 percent of the receipts from the New York State personal income tax imposed by Article 22 of the Tax Law, which, pursuant to Section 171-a of the Tax Law, are deposited in the Revenue Bond Tax Fund. Legislation, effective April 1, 2007, increased deposits to the Revenue Bond Tax Fund by amending the Enabling Act to provide that deposits to the Revenue Bond Tax Fund be calculated before the deposit of New York State personal income tax receipts to the School Tax Relief Fund (the “STAR Fund”). Prior to such date, New York State personal income tax receipts were net of refunds and deposits to the STAR Fund. See “PART 4—SOURCES OF

NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND—Revenue Bond Tax Fund Receipts.”

Financing agreement payments made from amounts set aside in the Revenue Bond Tax Fund are subject to annual appropriation for such purpose by the State Legislature. The Enabling Act provides that: (i) no person (including the Authorized Issuers or the holders of State Personal Income Tax Revenue Bonds) shall have any lien on amounts on deposit in the Revenue Bond Tax Fund; (ii) Revenue Bond Tax Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed by Article 22 of the Tax Law.

Series 2012 Bonds

The Series 2012 Bonds are special obligations of the Authority, secured by and payable solely from Financing Agreement Payments payable by the State Comptroller to U.S. Bank National Association, as Trustee and Paying Agent (the “Trustee” or “Paying Agent”) on behalf of the Authority in accordance with the terms and provisions of a Financing Agreement by and between the Authority and the Director of the Budget, subject to annual appropriation by the State Legislature, and the Funds and accounts established under the General Resolution (other than the Rebate Fund and other Funds as provided in the General Resolution). A copy of the form of the Financing Agreement relating to the Series 2012 Bonds is included as Appendix C hereto. The Series 2012 Bonds are entitled to a lien, created by a pledge under the General Resolution, on the Pledged Property.

The Enabling Act permits the Authority and the other Authorized Issuers to issue additional State Personal Income Tax Revenue Bonds subject to statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and the additional bonds test described herein included in each of the general resolutions authorizing State Personal Income Tax Revenue Bonds. In accordance with the additional bonds test described herein, Revenue Bond Tax Fund Receipts of approximately \$9.7 billion are available to pay financing agreement payments on a pro forma basis, which amount represents approximately 4.0 times the maximum annual Debt Service for all Outstanding State Personal Income Tax Revenue Bonds, including the projected debt service on the Series 2012 Bonds. As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been met. See “—Additional Bonds” below.

The revenues, facilities, properties and any and all other assets of the Authority of any name and nature, other than the Pledged Property, may not be used for, or, as a result of any court proceeding or otherwise applied to, the payment of State Personal Income Tax Revenue Bonds, any redemption premium therefor or the interest thereon or any other obligations under the General Resolution, and under no circumstances shall these be available for such purposes. See “PART 11—THE AUTHORITY” for a further description of the Authority.

Certification of Payments to be Set Aside in Revenue Bond Tax Fund

The Enabling Act, the general resolutions and the financing agreements provide procedures for setting aside amounts from the New York State Personal Income Tax Receipts deposited to the Revenue Bond Tax Fund to ensure that sufficient amounts will be available to make financing agreement payments, when due, to the applicable trustees on behalf of the Authority and the other Authorized Issuers.

The Enabling Act provides that:

1. No later than October 1 of each year, each Authorized Issuer must submit its State Personal Income Tax Revenue Bond cash requirements (which shall include financing agreement payments) for the following State Fiscal Year and, as required by the financing agreements, each of the subsequent four State Fiscal Years to the Division of the Budget.
2. No later than thirty (30) days after the submission of the Executive Budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate which sets forth an estimate of:
 - (a) 25 percent of the amount of the estimated monthly New York State Personal Income Tax Receipts to be deposited in the Revenue Bond Tax Fund pursuant to the Enabling Act during that State Fiscal Year; and
 - (b) the monthly amounts necessary to be set aside in the Revenue Bond Tax Fund to make the financing agreement payments required to meet the cash requirements of the Authorized Issuers.
3. In the case of financing agreement payments due semi-annually, Revenue Bond Tax Fund Receipts shall be set aside monthly until such amount is equal to not less than the financing agreement payments for State Personal Income Tax Revenue Bonds of all Authorized Issuers in the following month as certified by the Director of the Budget.
4. In the case of financing agreement payments due on a more frequent basis, monthly Revenue Bond Tax Fund Receipts shall be set aside monthly until such amount is, in accordance with the certificate of the Director of the Budget, sufficient to pay the required payment on each issue on or before the date such payment is due.

In addition, the general resolutions and the financing agreements require the State Comptroller to set aside, monthly, in the Revenue Bond Tax Fund, amounts such that the combined total of the (i) amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) amount of estimated monthly New York State Personal Income Tax Receipts required to be deposited to the Revenue Bond Tax Fund as provided in 2(a) above, are not less than 125 percent of the financing agreement payments required to be paid by the State Comptroller to the trustees on behalf of the Authorized Issuers in the following month.

The Director of the Budget may amend such certification as shall be necessary, provided that the Director of the Budget shall amend such certification no later than thirty (30) days after the issuance of any State Personal Income Tax Revenue Bonds, including refunding bonds, or after the execution of any interest rate exchange (or “swap”) agreements or other financial arrangements which may affect the cash requirements of any Authorized Issuer.

The Enabling Act provides that on or before the twelfth day of each month, the Commissioner shall certify to the State Comptroller the actual New York State Personal Income Tax Receipts for the prior month and, in addition, no later than March 31 of each State Fiscal Year, the Commissioner shall certify such amounts relating to the last month of the State Fiscal Year. At such times, the Enabling Act provides that the State Comptroller shall adjust the amount of estimated New York State Personal Income

Tax Receipts deposited to the Revenue Bond Tax Fund from the Withholding Component to the actual amount certified by the Commissioner.

Set Aside of Revenue Bond Tax Fund Receipts

As provided by the Enabling Act, the general resolutions, the financing agreements, and the certificate of the Director of the Budget, the State Comptroller is required to:

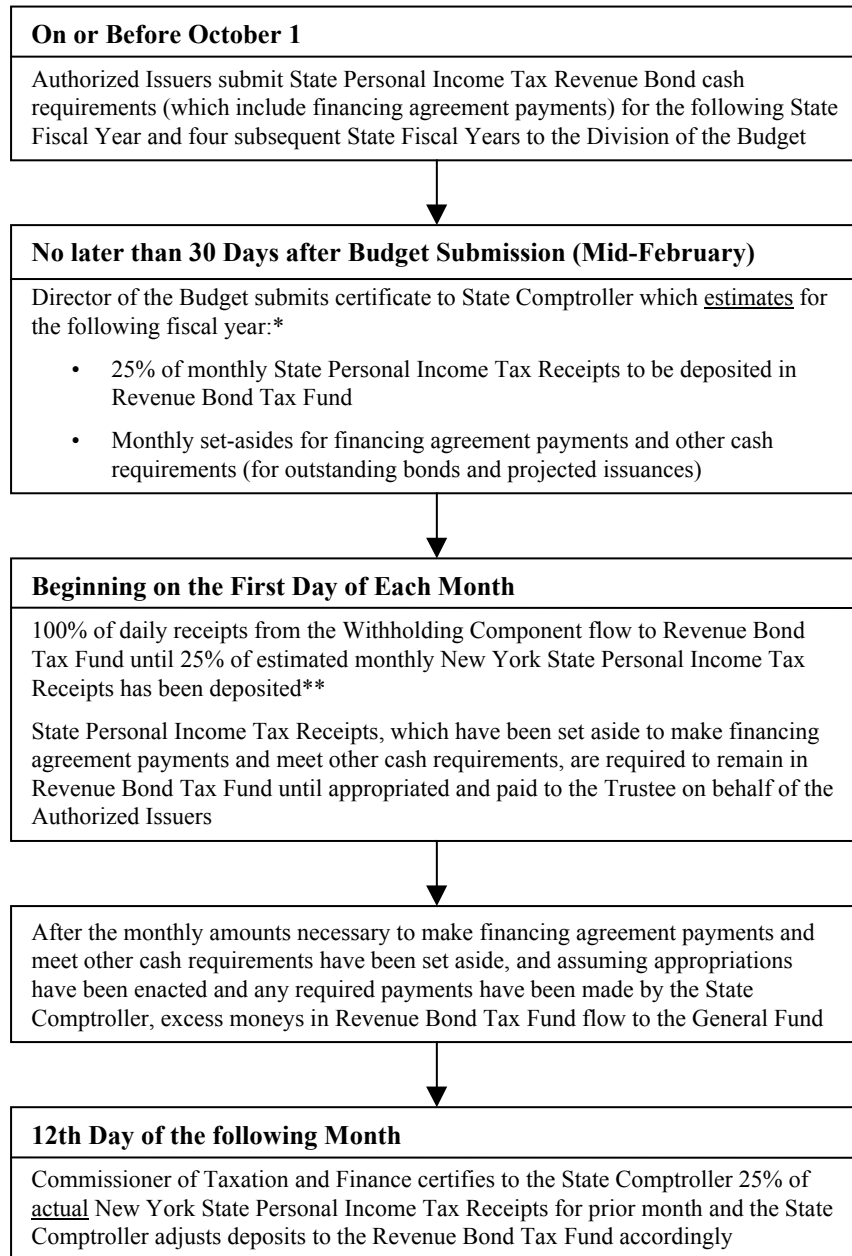
1. Beginning on the first day of each month, deposit all of the daily receipts from the Withholding Component to the Revenue Bond Tax Fund until there is on deposit in the Revenue Bond Tax Fund an amount equal to 25 percent of estimated monthly New York State Personal Income Tax Receipts.
2. Set aside, monthly, amounts on deposit in the Revenue Bond Tax Fund, such that the combined total of the (i) amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) amount of estimated monthly New York State Personal Income Tax Receipts required to be deposited to the Revenue Bond Tax Fund in such month, are not less than 125 percent of the financing agreement payments required to be paid by the State Comptroller to the trustees on behalf of all the Authorized Issuers in the following month.

The Enabling Act provides that Revenue Bond Tax Fund Receipts which have been set aside in sufficient amounts to pay, when due, the financing agreement payments of all Authorized Issuers shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments.

Subject to appropriation by the State Legislature, upon receipt of a request for payment from any Authorized Issuer pursuant to a financing agreement, the State Comptroller shall pay over to the trustee, on behalf of such Authorized Issuer, such amount. In the event that Revenue Bond Tax Fund Receipts are insufficient to meet the debt service and other cash requirements of all the Authorized Issuers as set forth in the certificate of the Director of the Budget, the State Comptroller is required by the Enabling Act, without further appropriation, to immediately transfer amounts from the General Fund of the State to the Revenue Bond Tax Fund. Amounts so transferred to the Revenue Bond Tax Fund can only be used to pay financing agreement payments (except, if necessary, for payments authorized to be made to the holders of State general obligation debt).

Flow of Revenue Bond Tax Fund Receipts

The following chart summarizes the flow of Revenue Bond Tax Fund Receipts.



* The Director of the Budget can amend the certification at any time to more precisely account for a revised New York State Personal Income Tax Receipts estimate or actual debt service and other cash requirements, and to the extent necessary, shall do so not later than thirty days after the issuance of any State Personal Income Tax Revenue Bonds.

** The State can certify and set aside New York State Personal Income Tax Receipts in excess of the next month's financing agreement payment requirements to ensure amounts previously set aside and on deposit in the Revenue Bond Tax Fund together with 25 percent of estimated monthly New York State Personal Income Tax Receipts to be deposited in such month are not less than 125 percent of all financing agreement payments due in the following month.

Moneys Held in the Revenue Bond Tax Fund

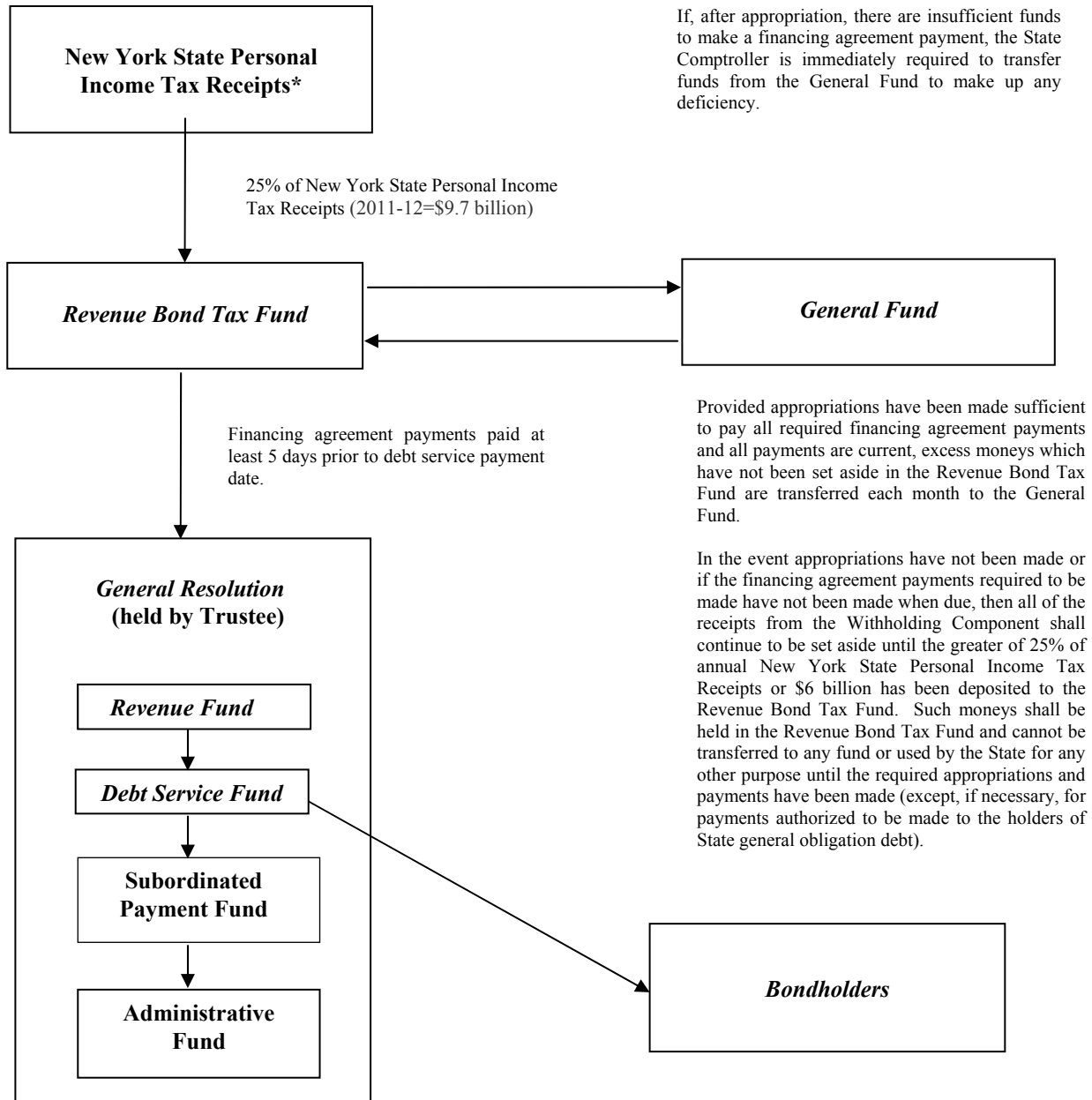
The Enabling Act prohibits the State Comptroller from paying over or distributing any amounts deposited in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) other than to the Authority and other Authorized Issuers (which are paid to the applicable trustees on behalf of the Authority and the other Authorized Issuers), unless two requirements are met. First, all payments as certified by the Director of the Budget for a State Fiscal Year must have been appropriated to the Authority and other Authorized Issuers for the payment of financing agreement payments (including debt service) in the full amount specified in the certificate of the Director of the Budget. Second, each certified and appropriated payment for which moneys are required to be set aside as provided in the Enabling Act must have been made to the trustees on behalf of the Authority and other Authorized Issuers when due.

If such appropriations have been made to pay all annual amounts specified in the certificate of the Director of the Budget as being required by the Authority and all other Authorized Issuers for a State Fiscal Year and all such payments to the applicable trustees on behalf of the Authority and all other Authorized Issuers are current, then the State Comptroller is required by the Enabling Act to pay over and distribute to the credit of the General Fund of the State (the "General Fund"), at least once a month, all amounts in the Revenue Bond Tax Fund, if any, in excess of the aggregate amount required to be set aside. The Enabling Act also requires the State Comptroller to pay to the General Fund all sums remaining in the Revenue Bond Tax Fund on the last day of each State Fiscal Year, but only if the State has appropriated and paid to the applicable trustees on behalf of the Authority and all other Authorized Issuers the amounts necessary for the Authority and all other Authorized Issuers to meet their cash requirements for the current State Fiscal Year and, to the extent certified by the Director of the Budget, set aside any cash requirements required for the next State Fiscal Year.

In the event that (i) the State Legislature fails to appropriate all amounts required to make financing agreement payments on State Personal Income Tax Revenue Bonds to all Authorized Issuers or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, any financing agreement payments have not been made when due on State Personal Income Tax Revenue Bonds, the Enabling Act requires that all of the receipts from the Withholding Component shall continue to be set aside in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 25 percent of annual New York State Personal Income Tax Receipts or six billion dollars (\$6,000,000,000). Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or use of such moneys by the State for any other purpose (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees on behalf of each Authorized Issuer, including the Authority.

The Enabling Act provides that no person (including the Authorized Issuers or the holders of State Personal Income Tax Revenue Bonds) shall have any lien on moneys on deposit in the Revenue Bond Tax Fund and that the State's agreement to make financing agreement payments shall be executory only to the extent such payments have been appropriated.

Flow of Revenues



* Nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax.

Appropriation by the State Legislature

The State may not expend money without an appropriation, except for the payment of debt service on general obligation bonds or notes issued by the State. An appropriation is an authorization approved by the State Legislature to expend money. The State Constitution requires all appropriations of State funds, including funds in the Revenue Bond Tax Fund, to be approved by the State Legislature at least every two years. In addition, the State Finance Law generally provides that appropriations shall cease to have force and effect, except as to liabilities incurred thereunder, at the close of the State Fiscal

Year for which they were enacted and that to the extent of liabilities incurred thereunder, such appropriations shall lapse on the succeeding June 30th or September 15th depending on the nature of the appropriation. See “– Moneys Held in the Revenue Bond Tax Fund” in this section.

The Authority expects that the State Legislature will make an appropriation from amounts on deposit in the Revenue Bond Tax Fund sufficient to pay financing agreement payments when due. Revenue Bond Tax Fund Receipts are expected to exceed the amounts necessary to pay financing agreement payments. In addition, in the event that the State Legislature fails to provide an appropriation, the Enabling Act requires that all of the receipts from the Withholding Component shall continue to be set aside in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 25 percent of the annual New York State Personal Income Tax Receipts or six billion dollars (\$6,000,000,000). The Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or the use of such moneys by the State for any other purpose (other than to make financing agreement payments from appropriated amounts, and except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees on behalf of each Authorized Issuer. The State Legislature may not be bound in advance to make an appropriation, and there can be no assurances that the State Legislature will appropriate the necessary funds as anticipated. Nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed pursuant to Article 22 of the Tax Law.

All payments required by financing agreements entered into by the State shall be executory only to the extent of the revenues available in the Revenue Bond Tax Fund. The obligation of the State to make financing agreement payments is subject to the State Legislature making annual appropriations for such purpose and such obligation does not constitute or create a debt of the State, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal or moral obligation to appropriate money for payments due under any financing agreement.

State Personal Income Tax Revenue Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall State Personal Income Tax Revenue Bonds be payable out of any funds other than those pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on State Personal Income Tax Revenue Bonds.

Pursuant to the Enabling Act, Revenue Bond Tax Fund Receipts which have been set aside to pay when due the financing agreement payments of all Authorized Issuers shall remain in the Revenue Bond Tax Fund until they are appropriated and used to make financing agreement payments. However, the Enabling Act also provides that the use of such Revenue Bond Tax Fund Receipts by the State Comptroller is “subject to the rights of holders of debt of the state” (i.e., general obligation bondholders who benefit from the faith and credit pledge of the State). Pursuant to Article VII Section 16 of the State Constitution, if at any time the State Legislature fails to make an appropriation for general obligation debt service, the State Comptroller is required to set apart from the first revenues thereafter received, applicable to the General Fund, sums sufficient to pay debt service on such general obligation debt. In the event that such revenues and other amounts in the General Fund are insufficient to so pay general obligation bondholders, the State may also use amounts on deposit in the Revenue Bond Tax Fund to pay debt service on general obligation bonds.

The Division of the Budget is not aware of any existing circumstances that would cause Revenue Bond Tax Fund Receipts to be used to pay debt service on general obligation bonds in the future. The Director of the Budget believes that any failure by the State Legislature to make annual appropriations as contemplated would have a serious impact on the ability of the State and the Authorized Issuers to issue

State-supported bonds to raise funds in the public credit markets and, as a result, on the ability of the State to meet its non-debt obligations.

Additional Bonds

Pursuant to each general resolution, additional bonds may be issued by the related Authorized Issuer, *provided* that the amount of Revenue Bond Tax Fund Receipts for any 12 consecutive calendar months ended not more than six months prior to the date of such calculation, as certified by the Director of the Budget, is at least 2.0 times the maximum Calculated Debt Service on all Outstanding State Personal Income Tax Revenue Bonds, the State Personal Income Tax Revenue Bonds proposed to be issued, and any additional amounts payable with respect to parity reimbursement obligations, as certified by the Director of the Budget.

For additional information, see “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Summary of Certain Provisions of the State Personal Income Tax Revenue Bonds Standard Resolution Provisions—Special Provisions for Additional Bonds” and “—Refunding Bonds.”

Parity Reimbursement Obligations

An Authorized Issuer, including the Authority, may incur Parity Reimbursement Obligations pursuant to the terms of the general resolution which, subject to certain exceptions, would be secured by a pledge of, and a lien on, the pledged property on a parity with the lien created by the related general resolution with respect to bonds issued thereunder. A Parity Reimbursement Obligation may be incurred in connection with obtaining a Credit Facility and represents the obligation to repay amounts advanced under the Credit Facility. It may include interest calculated at a rate higher than the interest rate on the related State Personal Income Tax Revenue Bonds and may be secured by a pledge of, and a lien on, pledged property on a parity with the lien created by the general resolution for the State Personal Income Tax Revenue Bonds only to the extent that principal amortization requirements of the Parity Reimbursement Obligation are equal to the amortization requirements for the related State Personal Income Tax Revenue Bonds, without acceleration. See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION.”

Certain Covenants of the State

Pursuant to the general resolutions, the State pledges and agrees with the holders of State Personal Income Tax Revenue Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations issued or incurred thereunder that the State will not in any way impair the rights and remedies of holders of such State Personal Income Tax Revenue Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations until such State Personal Income Tax Revenue Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations issued or incurred thereunder, together with interest thereon, with interest, if any, on any unpaid installments of interest and all costs and expenses in connection with any action or proceeding by or on behalf of the holders are fully met and discharged.

Pursuant to the Enabling Act and the general resolutions, nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the State personal income taxes imposed pursuant to Article 22 of the Tax Law. An Event of Default under the general resolutions would not occur solely as a result of the State exercising its right to amend, repeal, modify or otherwise alter the statutes imposing or relating to such taxes. However, the Director of the Budget believes that any materially adverse amendment, modification or alteration of, or the repeal of, statutes imposing or related to the State personal income tax imposed pursuant to Article 22 of the Tax

Law could have a serious impact on the flow of New York State Personal Income Tax Receipts to the Revenue Bond Tax Fund, the ability of the Authorized Issuers to issue Additional Bonds and the marketability of outstanding State Personal Income Tax Revenue Bonds.

Reservation of State’s Right to Substitute Credit

Pursuant to the Enabling Act, the State reserves the right, upon amendment of the State Constitution to permit the issuance of State Revenue Bonds, which may be payable from or secured by revenues that may include the Revenues pledged under the general resolutions, (i) to assume, in whole or in part, State Personal Income Tax Revenue Bonds, (ii) to extinguish the existing lien on the pledged property created under the general resolutions, and (iii) to substitute security for State Personal Income Tax Revenue Bonds, in each case only so long as the assumption, extinguishment and substitution is accomplished in accordance with either of two provisions of the general resolutions. (For these purposes, any State Personal Income Tax Revenue Bonds paid or deemed to have been paid in accordance with the applicable general resolution on or before the date of any assumption, extinguishment and substitution are not to be taken into account in determining compliance with those provisions.) The first provision of the general resolutions is intended to permit an assumption, extinguishment and substitution, without any right of consent of Bondholders or other parties, if certain conditions are satisfied. The second provision of the general resolutions permitting such an assumption, extinguishment and substitution is intended to permit a broader range of changes with the consent of issuers of Credit Facilities and the consent of certain Bondholders. It provides that any such assumption, extinguishment and substitution may be effected if certain conditions are satisfied.

In the event a constitutional amendment becomes a part of the State Constitution, there can be no assurance that the State will exercise its rights of assumption, extinguishment, and substitution with respect to State Personal Income Tax Revenue Bonds. There can be no assurance that the Authority or any other Authorized Issuer would be the issuer of any such State Revenue Bonds upon any such assumption, extinguishment and substitution and, if not the Authority or any other Authorized Issuer, the issuer of such State Revenue Bonds could be the State or another public entity.

See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Summary of Certain Provisions of the State Personal Income Tax Revenue Bonds Standard Resolution Provisions—Reservation of State Rights of Assumption, Extinguishment and Substitution.”

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PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND

General History of the State Personal Income Tax

In 1919, New York State became the seventh state to enact a personal income tax. The present system of conformity to Federal tax law with respect to income and deductions was adopted in 1960. The personal income tax is New York's largest source of tax revenue and consistently accounts for more than one-half of all State tax receipts.

The State's personal income tax structure adheres closely to the definitions of adjusted gross income and itemized deductions used for Federal personal income tax purposes, with certain modifications, such as: (1) the inclusion of investment income from debt instruments issued by other states and municipalities and the exclusion of income on certain Federal obligations; and (2) the exclusion of pension income received by Federal, New York State and local government employees, private pension and annuity income up to \$20,000 (\$40,000 for married couples filing jointly), and any Social Security income and refunds otherwise included in Federal adjusted gross income.

Changes in Federal tax law from time to time may positively or negatively affect the amount of personal income tax receipts collected by the State. State Tax Law changes may also impact personal income tax receipts by authorizing a wide variety of credits against the personal income tax liability of taxpayers.

Major tax credits include: Empire State Child Credit (enacted and effective in 2006); Earned Income Tax Credit; Child and Dependent Care Credit; Household Credit; College Tuition Credit; Long-term Care Insurance Credit; Investment Credits; and, Empire Zone Credits.

Personal Income Tax Rates

Taxable income equals New York adjusted gross income ("AGI") less deductions and exemptions. The tax provides separate rate schedules for married couples, single individuals and heads of households. For the 1989 through 1994 tax years, the State income tax was imposed at rates ranging from 4.0 percent to 7.875 percent on the taxable income of individuals, estates and trusts. For taxpayers with \$100,000 or more of AGI, the benefit of the marginal tax rates in the lower brackets was recaptured through a supplementary mechanism in effect since 1991. Beginning in 1995, a major personal income tax cut program was phased in over three years which cut the top State personal income tax rate from 7.875 to 6.85 percent. For tax years 1997 through 2002, New York imposed a graduated income tax with rates ranging between 4.0 and 6.85 percent of taxable income. Legislation enacted with the 2003-04 Budget temporarily added two additional top brackets for the 2003 through 2005 tax years. For tax years 2006 through 2008, the rate schedules reverted to the rate schedule in effect for the 2002 tax year. For tax years 2009 through 2011, a temporary tax rate increase applied, which added two additional rates and brackets. The following tables set forth the rate schedules for tax years 2012 through 2014 and for tax years after 2014, which revert to the rate schedule in effect for the 2008 tax year except that the tax brackets are permanently indexed for cost of living adjustments starting in tax year 2013.

New York State Personal Income Tax Rates for Tax Years 2012 Through 2014*

Married Filing Jointly and Qualified Widow(er)

Taxable Income:	Tax [±]
Not over \$16,000.....	4% of taxable income
Over \$16,000 but not over \$22,000.....	\$640 plus 4.50% of excess over \$16,000
Over \$22,000 but not over \$26,000.....	\$910 plus 5.25% of excess over \$22,000
Over \$26,000 but not over \$40,000.....	\$1,120 plus 5.90% of excess over \$26,000
Over \$40,000 but not over \$150,000.....	\$1,946 plus 6.45% of excess over \$40,000
Over \$150,000 but not over \$300,000.....	\$9,041 plus 6.65% of excess over \$150,000
Over \$300,000 but not over \$2,000,000.....	\$19,016 plus 6.85% of excess over \$300,000
Over \$2,000,000.....	\$135,466 plus 8.82% of excess over \$2,000,000

Single, Married Filing Separately, Estates and Trusts

Taxable Income:	Tax
Not over \$8,000	4% of taxable income
Over \$8,000 but not over \$11,000.....	\$320 plus 4.50% of excess over \$8,000
Over \$11,000 but not over \$13,000.....	\$455 plus 5.25% of excess over \$11,000
Over \$13,000 but not over \$20,000.....	\$560 plus 5.90% of excess over \$13,000
Over \$20,000 but not over \$75,000.....	\$973 plus 6.45% of excess over \$20,000
Over \$75,000 but not over \$200,000.....	\$4,521 plus 6.65% of excess over \$75,000
Over \$200,000 but not over \$1,000,000.....	\$12,833 plus 6.85% of excess over \$200,000
Over \$1,000,000.....	\$67,633 plus 8.82% of excess over \$1,000,000

Head of Household

Taxable Income:	Tax
Not over \$12,000.....	4% of taxable income
Over \$12,000 but not over \$16,500.....	\$480 plus 4.50% of excess over \$12,000
Over \$16,500 but not over \$19,500.....	\$683 plus 5.25% of excess over \$16,500
Over \$19,500 but not over \$30,000.....	\$840 plus 5.90% of excess over \$19,500
Over \$30,000 but not over \$100,000.....	\$1,460 plus 6.45% of excess over \$30,000
Over \$100,000 but not over \$250,000.....	\$5,975 plus 6.65% of excess over \$100,000
Over \$250,000 but not over \$1,500,000.....	\$15,950 plus 6.85% of excess over \$250,000
Over \$1,500,000.....	\$101,575 plus 8.82% of excess over \$1,500,000

* Starting in tax year 2013, income amounts may change due to cost of living adjustments.

± A supplemental income tax recaptures the value of lower tax brackets such that when a taxpayer's AGI exceeds \$2,000,000 for married filing jointly taxpayers, all taxable income becomes effectively subject to a flat 8.82 percent tax rate.

New York State Personal Income Tax Rates for Tax Years After 2014*

Married Filing Jointly

Taxable Income:	Tax [±]
Not over \$16,000.....	4% of taxable income
Over \$16,000 but not over \$22,000.....	\$640 plus 4.50% of excess over \$16,000
Over \$22,000 but not over \$26,000.....	\$910 plus 5.25% of excess over \$22,000
Over \$26,000 but not over \$40,000.....	\$1,120 plus 5.90% of excess over \$26,000
Over \$40,000.....	\$1,946 plus 6.85% of excess over \$40,000

Single, Married Filing Separately, Estates and Trusts

Taxable Income:	Tax
Not over \$8,000	4% of taxable income
Over \$8,000 but not over \$11,000.....	\$320 plus 4.50% of excess over \$8,000
Over \$11,000 but not over \$13,000.....	\$455 plus 5.25% of excess over \$11,000
Over \$13,000 but not over \$20,000.....	\$560 plus 5.90% of excess over \$13,000
Over \$20,000.....	\$973 plus 6.85% of excess over \$20,000

Head of Household

Taxable Income:	Tax
Not over \$12,000.....	4% of taxable income
Over \$12,000 but not over \$16,500.....	\$480 plus 4.50% of excess over \$12,000
Over \$16,500 but not over \$19,500.....	\$683 plus 5.25% of excess over \$16,500
Over \$19,500 but not over \$30,000.....	\$840 plus 5.90% of excess over \$19,500
Over \$30,000.....	\$1,460 plus 6.85% of excess over \$30,000

* Starting in tax year 2013, income amounts may change due to cost of living adjustments.

± A supplemental income tax recaptures the value of lower tax brackets such that when a taxpayer's AGI exceeds \$150,000, all taxable income becomes effectively subject to a flat 6.85 percent tax rate.

Components of the Personal Income Tax

The components of personal income tax liability include withholding, estimated payments, final returns, delinquencies and refunds. Taxpayers prepay their tax liability through payroll withholding taxes imposed by Section 671 of Article 22 of the Tax Law (the “Withholding Component”) and estimated taxes imposed by Section 685 of Article 22 of the Tax Law. The New York State Department of Taxation and Finance collects the personal income tax from employers and individuals and reports the amount collected to the State Comptroller, who deposits collections net of overpayments and administrative costs.

Initiated in 1959, withholding tax is the largest component of income tax collections. New York requires employers to withhold and remit personal income taxes on wages, salaries, bonuses, commissions and similar income. The amount of withholding varies with the rates, deductions and exemptions. Under current law, employers must remit withholding liability within three business days after each payroll once the cumulative amount of liability reaches \$700. Certain small businesses and educational and health care organizations may make their withholding remittance within five business days, and employers with less than \$700 of withheld tax can remit it on a quarterly basis. Large employers (aggregate tax of more than \$100,000 per year) must make timely payment by electronic funds transfer or by certified check.

Revenue Bond Tax Fund Receipts

The Enabling Act provides that 25 percent of the receipts from the New York State personal income tax imposed by Article 22 of the Tax Law which are deposited pursuant to Section 171-a of the Tax Law (“New York State Personal Income Tax Receipts”) shall be deposited in the Revenue Bond Tax Fund. Such New York State Personal Income Tax Receipts currently exclude refunds paid to taxpayers. Legislation enacted in 2007 and effective April 1, 2007 increased deposits to the Revenue Bond Tax Fund by amending the Enabling Act to provide that deposits to the Revenue Bond Tax Fund be calculated before the deposit of New York State Personal Income Tax Receipts to the STAR Fund. Moneys in the STAR Fund are used to reimburse school districts for school tax reductions and property tax rebates provided to homeowners and to reimburse The City of New York for personal income tax reductions enacted as part of the School Tax Relief program. The Debt Reduction Reserve Fund was established in State Fiscal Year 1998-99 to reserve onetime available resources to defease certain State-supported debt, pay debt service costs or pay cash for capital projects that would otherwise be financed with State-supported debt. In State Fiscal Years 2000-01 and 2001-02, \$250 million was deposited from New York State Personal Income Tax Receipts to the Debt Reduction Reserve Fund. New York State Personal Income Tax Receipts for State Fiscal Years 2000-01 and 2001-02 exclude deposits to the Debt Reduction Reserve Fund. There were no deposits of New York State Personal Income Tax Receipts to the Debt Reduction Reserve Fund thereafter.

Beginning on the first day of each month, the Enabling Act requires the State Comptroller to deposit in the Revenue Bond Tax Fund all of the receipts from the Withholding Component until an amount equal to 25 percent of estimated monthly New York State Personal Income Tax Receipts has been deposited into the Revenue Bond Tax Fund (the “Revenue Bond Tax Fund Receipts”).

In State Fiscal Year 2011-12, New York State Personal Income Tax Receipts were approximately \$38.8 billion and accounted for approximately 60 percent of State tax receipts in all State Funds. The First Quarterly Update to the 2012-13 Financial Plan estimates New York State Personal Income Tax Receipts at \$40.3 billion for State Fiscal Year 2012-13.

The following table sets forth certain historical and projected information concerning New York State Personal Income Tax Receipts, the Withholding Component, and deposits to the Revenue Bond Tax Fund from State Fiscal Years 2002-03 through 2012-13. For State Fiscal Year 2002-03, the table

provides a pro forma estimate equivalent to 25 percent of New York State Personal Income Tax Receipts that would have been deposited to the Revenue Bond Tax Fund had the Enabling Act been in effect during the entirety of that State Fiscal Year. The Withholding Component can exceed New York State Personal Income Tax Receipts since such Receipts equal total personal income tax collections less (i) refunds and (ii) through State Fiscal Year 2006-07, deposits into the STAR Fund. For example, in State Fiscal Year 2003-04, refunds and STAR Fund deposits were greater than the aggregate personal income tax collections from components other than the Withholding Component.

**NYS Personal Income Tax Receipts, Withholding Components and
State Revenue Bonds Tax Fund Receipts
State Fiscal Years 2002-03 through 2012-13**

<u>State Fiscal Year</u>	<u>New York State Personal Income Tax Receipts</u>	<u>Withholding Component</u>	<u>Withholding/State Personal Income Tax Receipts</u>	<u>Revenue Bond Tax Fund Receipts*</u>
2002-03.....	\$19,984,262,417	\$19,959,388,350	99.9%	\$4,996,065,604
2003-04.....	21,827,770,700	21,985,657,770	100.7	5,456,942,675
2004-05.....	25,040,965,404	23,374,513,925	93.3	6,260,241,351
2005-06.....	27,599,721,585	24,760,667,777	89.7	6,899,930,396
2006-07.....	30,586,021,803	26,802,005,019	87.6	7,646,505,451
2007-08.....	36,563,948,528**	28,440,134,437	77.8	9,140,987,132**
2008-09.....	36,840,019,400**	27,686,157,203	75.2	9,210,004,850**
2009-10.....	34,751,381,665**	29,443,180,489	84.7	8,687,845,416**
2010-11.....	36,209,215,560**	31,240,169,745	86.3	9,052,303,890**
2011-12.....	38,767,826,942**	31,198,971,588	80.5	9,691,956,736**
2012-13 (est.).....	40,256,000,000**	32,173,000,000	79.9	10,064,100,000**

* Twenty-five percent of New York State Personal Income Tax Receipts shown on an annualized and *pro forma* basis for State Fiscal Year 2002-03.

** Reflects legislation enacted in 2007 and effective April 1, 2007 that calculates Revenue Bond Tax Fund Receipts prior to the deposit of New York State Personal Income Tax Receipts to the STAR Fund.

In State Fiscal Year 2011-12, New York State Personal Income Tax Receipts totaled approximately \$38.8 billion. The First Quarterly Update to the 2012-13 Financial Plan estimates that total New York State Personal Income Tax Receipts (net of refunds to taxpayers but before deposits to the STAR Fund) will increase by 3.8% to \$40.3 billion in 2012-13.

Total State personal income tax receipts (as distinguished from New York State Personal Income Tax Receipts as defined herein and presented in the table above) estimates are based on the State personal income tax liability estimated by the State Division of the Budget for each of the relevant tax years and the patterns of receipts and refunds for each tax year. Such tax year liability estimates are, in turn, based largely on forecasts of State adjusted gross income, with adjustments made for legislative changes (see “—General History of the State Personal Income Tax” above) that will affect each year’s tax liability. **The level of total State personal income tax receipts is necessarily dependent upon economic and demographic conditions in the State, and therefore there can be no assurance that historical data with respect to total State personal income tax receipts will be indicative of future receipts.** Since the institution of the modern income tax in New York in 1960, total personal income tax receipts have fallen six times on a year-over-year basis, in 1964-65, 1971-72, 1977-78, 1990-91, 2002-03, and 2009-10.

For a more detailed discussion of the effects of the recent global financial downturn on the State’s economy, the general economic and financial condition of the State and its projection of personal income tax receipts, see “APPENDIX A—INFORMATION CONCERNING THE STATE OF NEW YORK.”

The following table shows the pattern of State adjusted gross income growth and personal income tax liability for 2003 through 2012.

NYS Adjusted Gross Income (AGI) and Personal Income Tax Liability 2003 to 2012*

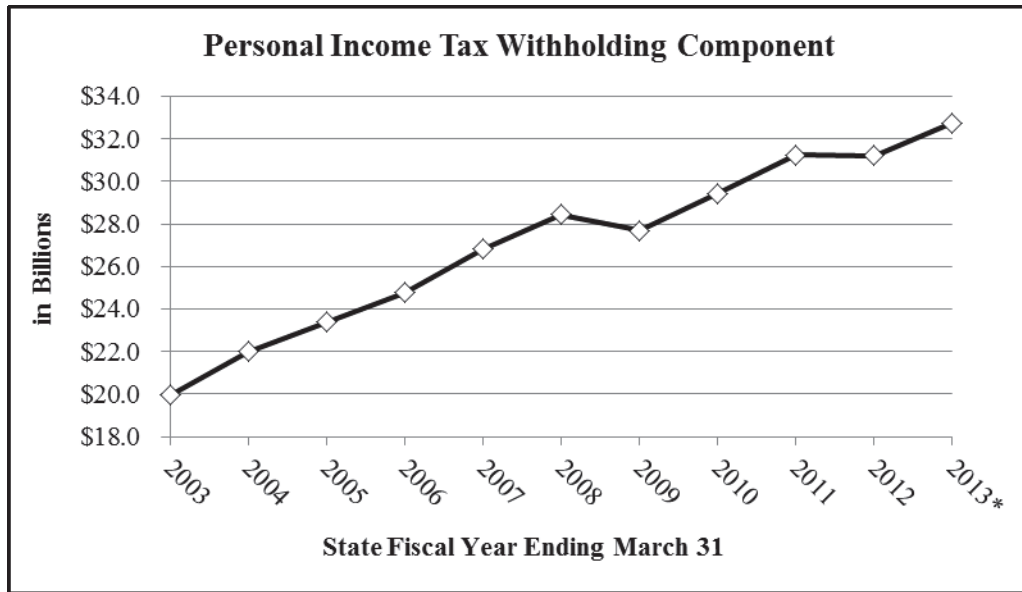
<u>Tax Year</u>	<u>NYS AGI</u>	<u>Percent Change</u>	<u>Personal Income Tax Liability</u>	<u>Percent Change</u>
			<i>(\$ in millions)</i>	
2003	\$473,778	3.0%	\$22,456	8.3%
2004	525,964	11.0	25,769	14.8
2005	571,916	8.7	28,484	10.5
2006	632,601	10.6	29,605	3.9
2007	725,245	14.6	35,215	19.0
2008	662,053	(8.7)	31,621	(10.2)
2009	596,471	(9.9)	31,162	(1.5)
2010 (est.)	640,164	7.3	34,951	12.2
2011 (proj.)	668,049	4.4	36,953	5.7
2012 (proj.)	707,953	6.0	37,307	1.0

* NYS AGI and Personal Income Tax Liability reflect amounts reported on timely filed individual returns, and therefore do not include tax paid by fiduciaries or through audits.

The table indicates that under the State’s progressive income tax structure with graduated tax rates, tax liability generally changes at a faster percentage rate than adjusted gross income, absent major law changes or economic events. Tax liability and adjusted gross income grew for five consecutive years, as the State economy recovered and entered a robust period of expansion. With the onset of the national recession and the financial crisis, adjusted gross income and tax liability fell in 2008 and 2009. The 2009 decline in liability is significantly smaller than that in adjusted gross income due to the enactment of a temporary tax rate increase for wealthier taxpayers that was in effect from 2009 to 2011. In December 2011, tax reform legislation was enacted for the period from 2012 through 2014, lowering tax rates for millions of taxpayers.

The following graph shows the history of withholding receipts since State Fiscal Year 2002-03. Like overall adjusted gross incomes and tax liabilities, withholding steadily increased each year through State Fiscal Year 2010-11 except the recession-related State Fiscal Year 2008-09, due to overall growth in employment and wages, as well as the temporary tax surcharge, which applied during State Fiscal Years 2003-04 through 2005-06 and for State Fiscal Years 2009-10 through 2010-11. Withholding receipts for State Fiscal Year 2012-13 are estimated to be \$974 million (3.1 percent) higher compared to State Fiscal Year 2011-12.

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* Estimated.

For a discussion of the general economic and financial condition of the State, see “APPENDIX A —INFORMATION CONCERNING THE STATE OF NEW YORK.”

PART 5—DESCRIPTION OF THE SERIES 2012 BONDS

General

The Series 2012 Bonds will bear interest, computed on the basis of a 360-day year and 30-day month, from their date of delivery payable August 15, 2013, and on each February 15 and August 15 thereafter at the rates set forth on the inside cover page of this Official Statement. The Series 2012 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof.

The Series 2012 Bonds will be issued under a book-entry only system, and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York, which will act as bond depository for the Series 2012 Bonds. Principal or redemption price of and interest on the Series 2012 Bonds are payable by U.S. Bank National Association, as Trustee and Paying Agent, to Cede & Co., so long as Cede & Co. is the registered owner of the Series 2012 Bonds, as nominee for DTC, which will, in turn, remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners (See “PART 8—BOOK-ENTRY ONLY SYSTEM” below).

Optional Redemption

Series 2012D Bonds

The Series 2012D Bonds maturing on and before August 15, 2022 are not subject to optional redemption prior to maturity. The Series 2012D Bonds maturing after August 15, 2022 are subject to optional redemption prior to maturity on or after February 15, 2022, in any order, at the option of the Authority, as a whole or in part at any time, at a redemption price of par, plus accrued interest to the redemption date.

Series 2012E Bonds

The Series 2012E Bonds maturing on and before February 15, 2022 are not subject to optional redemption prior to maturity. The Series 2012E Bonds maturing after February 15, 2022 are subject to optional redemption prior to maturity on or after February 15, 2022, in any order, at the option of the Authority, as a whole or in part at any time, at a redemption price of par, plus accrued interest to the redemption date.

Series 2012F Bonds

The Series 2012F Bonds are subject to optional redemption prior to maturity as a whole or in part, at the option of the Authority, on any Business Day, at the Make-Whole Redemption Price.

The “Make-Whole Redemption Price” is the greater of (i) 100% of the principal amount of the Series 2012F Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2012F Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2012F Bonds are to be redeemed, discounted to the date on which the Series 2012F Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the adjusted Treasury Rate (as defined below) plus 20 basis points, plus, in each case, accrued and unpaid interest on the Series 2012F Bonds to be redeemed on the redemption date.

The “Treasury Rate” is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2012F Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Extraordinary Optional Redemption

The Series 2012E Bonds are also subject to redemption prior to maturity at the option of the Authority, in whole or in part, at any time, by lot within a maturity at the redemption price of par, plus accrued interest to the redemption date, in the event (i) moneys derived from the net proceeds of insurance or condemnation awards have been deposited in the Debt Service Fund with respect to the voluntary agency facilities financed with proceeds of the Series 2012E Bonds, or (ii) moneys derived as a result of a default by a voluntary agency receiving a loan from proceeds of the Series 2012E Bonds have been deposited in the Debt Service Fund.

The Series 2012E Bonds are also subject to redemption prior to maturity at the option of the Authority, in whole or in part, at any time, by lot within a maturity at the applicable Redemption Price (defined below), plus accrued interest to the redemption date, in the event moneys not used to make loans to finance the Projects are on deposit in the Bond Proceeds Fund or the Debt Service Fund. The Redemption Price, expressed as a percent, as of a redemption date will be equal to: (A) in the case of a Series 2012E Bond initially sold with original issue premium, the present value of the remaining payments of principal of and interest on such Series 2012E Bond to be redeemed (not including any portion of those payments of interest accrued and unpaid as of the redemption date), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the initial offering yield of such Series 2012E Bond, as shown on the inside cover of the Official

Statement, divided by the principal amount of such Series 2012E Bond to be redeemed; such Redemption Price determined by assuming that the principal of such Series 2012E Bond to be redeemed is paid at the earlier of maturity or the first Optional Redemption Date (if applicable), as defined above, or (B) in the case of a Series 2012E Bond initially sold at par, 100% of the principal amount of such Series 2012E Bond.

If fewer than all of the Series 2012E Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Series 2012E Bonds of such maturity and bearing such interest rate to be redeemed will be determined as set forth below under “–Selection of Bonds to be Redeemed; Notice of Redemption.”

Mandatory Sinking Fund Redemption

Series 2012D Bonds

The Series 2012D Bonds maturing on February 15, 2037, February 15, 2040 and February 15, 2042 are Term Bonds subject to mandatory redemption in part, on February 15 in the years shown below, at a Redemption Price equal to the principal amount thereof, plus accrued interest, if any, to the date of redemption in an amount equal to the Sinking Fund Installments for such Series 2012D Bonds for such date:

Series 2012D Term Bond Maturing February 15, 2037 <u>At an Interest Rate of 3.500%</u>		Series 2012D Term Bond Maturing February 15, 2037 <u>At an Interest Rate of 5.000%</u>	
<u>Year</u>	<u>Sinking Fund Installments</u>	<u>Year</u>	<u>Sinking Fund Installments</u>
2035	\$8,265,000	2035	\$15,795,000
2036	8,555,000	2036	16,580,000
2037	8,850,000*	2037	17,415,000*
Series 2012D Term Bond Maturing February 15, 2040		Series 2012D Term Bond Maturing February 15, 2042	
<u>Year</u>	<u>Sinking Fund Installments</u>	<u>Year</u>	<u>Sinking Fund Installments</u>
2038	\$26,400,000	2041	\$30,560,000
2039	27,720,000	2042	32,090,000*
2040	29,110,000*		

* Stated maturity.

Series 2012E Bonds

The Series 2012E Bonds maturing on February 15, 2037 are Term Bonds subject to mandatory redemption in part, on February 15 in the years shown below, at a Redemption Price equal to the principal amount thereof, plus accrued interest, if any, to the date of redemption in an amount equal to the Sinking Fund Installments for such Series 2012E Bonds for such date:

<u>Series 2012E Term Bond</u> <u>Maturing February 15, 2037</u>	
<u>Year</u>	<u>Sinking Fund Installments</u>
2035	\$3,435,000
2036	3,610,000
2037	3,790,000*

* Stated maturity.

In connection with any optional redemption or purchase and cancellation of the Series 2012 Bonds, the principal amount of such series of Series 2012 Bonds being redeemed or purchased and cancelled shall be allocated against the scheduled sinking fund redemption amounts set forth above in such manner as the Authority may direct and the scheduled sinking fund installments payable thereafter shall be modified as to such series of Series 2012 Bonds. In such event, the Authority shall provide to the Trustee a revised schedule of sinking fund installments. If fewer than all of any series of Series 2012 Bonds of the same maturity are to be redeemed, the particular Series 2012 Bonds of such maturity to be redeemed will be determined as set forth below under “—Selection of Bonds to be Redeemed; Notice of Redemption.”

Selection of Bonds to be Redeemed; Notice of Redemption

In the case of redemptions of Series 2012 Bonds at the option of the Authority, the Authority will select the maturities of the Series 2012 Bonds to be redeemed.

If less than all of the Series 2012D Bonds or the Series 2012E Bonds of a maturity are to be redeemed, the Trustee shall assign to each Outstanding Series 2012D Bonds or Series 2012E Bonds of such maturity to be redeemed a distinctive number for each unit of the principal amount of such Series 2012D Bonds or Series 2012E Bonds, equal to the lowest denomination in which such Series 2012D Bonds or Series 2012E Bonds 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 Series 2012D Bonds or Series 2012E Bonds, as many numbers as, at such unit amount equal to the lowest denomination in which such Series 2012D Bonds or Series 2012E Bonds are authorized to be issued for each number, shall equal the principal amount of such Series 2012D Bonds or Series 2012E Bonds to be redeemed.

In the case of optional redemption of the Series 2012F Bonds, if less than all of the Series 2012F Bonds are to be redeemed, the particular Series 2012F Bonds or portions thereof to be redeemed are to be selected on a “Pro Rata Pass-Through Distribution of Principal” basis in accordance with DTC operational procedures then in effect. Such procedures currently provide for adjustment of the principal by a factor provided by the Trustee. If the Trustee does not provide the necessary information or does not identify the redemption as on a “Pro Rata Pass-Through Distribution of Principal” basis, the Series 2012F Bonds will be selected for redemption in accordance with DTC procedures by lot. It is expected that redemption allocations to be made by DTC, the DTC Participants or such other intermediaries that may exist between the Authority and the owners of the Series 2012F Bonds would be made on a “Pro Rata Pass-Through Distribution of Principal” basis as described above. However, no assurance can be

provided that DTC, the DTC Participants or any other intermediaries will allocate redemptions among the owners on such basis. If operational procedures of DTC (or of any successor depository) do not allow for the redemption of the Series 2012F Bonds on a “Pro Rata Pass-Through Distribution of Principal” basis, the Series 2012F Bonds will be selected for redemption by lot.

Any notice of redemption of the Series 2012 Bonds may state that it is conditional upon receipt by the Trustee of money sufficient to pay the Redemption Price of such Series 2012 Bonds or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such Redemption Price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Trustee to affected Bondholders as promptly as practicable upon the failure of such condition or the occurrence of such other event.

When the Trustee shall have received notice from the Authority that Series 2012 Bonds are to be redeemed, the Trustee shall give notice, in the name of the Authority, of the redemption of such Series 2012 Bonds, which notice shall specify the Series 2012 Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2012 Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2012 Bonds to be redeemed, if applicable, that such notice is conditional and the conditions that must be satisfied, and in the case of Series 2012 Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed.

Such notice shall further state that on the redemption date there shall become due and payable upon each Series 2012 Bond or portion thereof to be redeemed the Redemption Price thereof, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable on the Series 2012 Bonds or portions thereof to be redeemed.

Notice of any redemption shall be mailed by the Trustee, postage prepaid, no less than thirty (30) days before the redemption date, to the Owners of any Series 2012 Bonds or portions of Series 2012 Bonds, which are to be redeemed, at their last address, if any, appearing upon the registry books.

PART 6—THE PROJECTS

The Series 2012 Bonds are being issued for the purposes of financing Authorized Purposes. The Series 2012D Bonds are being issued: (a) to finance or reimburse all or a portion of the costs of (i) capital projects for the SUNY Educational Facilities, (ii) the State’s share of various SUNY Upstate Community College facilities, (iii) certain State and voluntary agency facilities for OMH and OASAS, (iv) State grants for library facilities, (v) certain State matching grants under the HECap Program and (vi) grants to school districts under the EXCEL program; and (b) to refund (i) certain outstanding bonds previously issued by the Authority under the Mental Health Services Facilities Improvement Revenue Bond program, the SUNY Educational Facilities program and the State Personal Income Tax Revenue Bond program, (ii) certain outstanding bonds issued by EFC under the State Personal Income Tax Revenue Bond program and (iii) the outstanding Long Island College Hospital FHA-Insured Mortgage Hospital Revenue Bonds, Series 2004A and Series 2004B. The Series 2012E Bonds are being issued to finance certain voluntary agency facilities for OMH. The Series 2012F Bonds are being issued to finance or reimburse a portion of the costs of capital projects for the SUNY Educational Facilities and to refund certain outstanding bonds issued by the Authority under the Mental Health Services Facilities Improvement Revenue Bond program. See “APPENDIX F—SUMMARY OF REFUNDED BONDS” for a complete list of bonds to be refunded.

Additionally, all or a portion of the cost of issuance of the Series 2012 Bonds will be financed with the proceeds thereof. **The Series 2012 Bonds are not secured by the Projects or any interest therein.**

PART 7—THE REFUNDING PLAN

A portion of the proceeds of the Series 2012D Bonds and the Series 2012F Bonds, together with other available funds, will be used to refund various series of State-supported debt including: (a) with respect to the Series 2012D Bonds (i) certain outstanding bonds issued by the Authority under the Mental Health Services Facilities Improvement Revenue Bond program, the SUNY Educational Facilities Revenue Bond program and the State Personal Income Tax Revenue Bond program, (ii) certain outstanding bonds issued by EFC under the State Personal Income Tax Revenue Bond program and (iii) the outstanding Long Island College Hospital FHA-Insured Mortgage Hospital Revenue Bonds, Series 2004A and Series 2004B, and (b) with respect to the Series 2012F Bonds certain other outstanding bonds issued by the Authority under the Mental Health Services Facilities Improvement Revenue Bond program (collectively, the “Refunded Bonds”). See “APPENDIX F—SUMMARY OF REFUNDED BONDS” for a complete list of the Refunded Bonds.

Simultaneously with the issuance and delivery of the Series 2012 Bonds, a portion of the proceeds of the Series 2012D and the Series 2012F Bonds will be deposited, in escrow, with the various trustees for the respective Refunded Bonds and, together with other available funds, will be used to purchase direct non-callable obligations of the United States of America (the “Defeasance Securities”), the maturing principal and interest on which will be sufficient, together with any uninvested cash, to pay the redemption price of and interest due on the respective Refunded Bonds to their respective redemption dates. See “PART 18—VERIFICATION OF MATHEMATICAL COMPUTATIONS.” At the time of such deposits, the Authority and EFC, as applicable, will give the trustees irrevocable instructions to give notice of the redemption of the respective Refunded Bonds and to apply the maturing principal of and interest on the applicable Defeasance Securities, together with any uninvested cash held in escrow, to the payment of the redemption price of and interest coming due on the applicable Refunded Bonds to their respective redemption dates.

PART 8—BOOK-ENTRY ONLY SYSTEM

The following information concerning DTC and DTC’s book-entry system has been obtained from sources that the Authority and the Underwriters believe to be reliable, but none of the Authority or the Underwriters takes no responsibility for the accuracy thereof.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2012 Bonds. References to the Series 2012 Bonds under this caption “Book-Entry Only System” shall mean all Series 2012 Bonds, the beneficial interests in which are owned in the United States. The Series 2012 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2012 Bond certificate will be issued for each maturity of each series of the Series 2012 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that

DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the related Series 2012 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2012 Bonds, except in the event that use of the book-entry system for the Series 2012 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012 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 the Series 2012 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012 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 any series of the Series 2012 Bonds within a stated maturity are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2012 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 2012 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on a 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 Trustee or the Authority, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Authority and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2012 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2012 Bonds, giving any notice permitted or required to be given to registered owners under the Resolutions, registering the transfer of the Series 2012 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Authority and the Trustee shall not have any responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the Series 2012 Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Authority (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Series 2012 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Authority; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

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

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) for any series of the Series 2012 Bonds. In that event, Series 2012 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

Each person for whom a Participant acquires an interest in the Series 2012 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 of 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 2012 BONDS.

So long as Cede & Co. is the registered owner of the Series 2012 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2012 Bonds (other than under the caption “PART 13—TAX MATTERS” and “PART 20—CONTINUING DISCLOSURE” herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2012 Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to 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 2012 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.

NEITHER THE AUTHORITY NOR THE UNDERWRITERS SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2012 BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 2012 BONDHOLDERS UNDER THE RESOLUTIONS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A SERIES 2012 BONDHOLDER; (5) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2012 BONDS; OR (6) ANY OTHER MATTER.

PART 9—DEBT SERVICE REQUIREMENTS

The following schedule sets forth, for each 12-month period ending March 31 of the years shown, the amounts required for the payment of debt service on the Series 2012 Bonds, for the payment of debt service on outstanding State Personal Income Tax Revenue Bonds and the aggregate total during each such period.

12-Month Period Ending March 31	Series 2012 Bonds			Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service ⁽¹⁾⁽²⁾⁽³⁾	Aggregate Debt Service ⁽¹⁾⁽²⁾
	Principal Payments	Interest Payments	Total Debt Service		
2013	\$ -	\$ -	\$ -	\$2,322,308,447	\$2,322,308,447
2014	64,795,000	51,404,568	116,199,568	2,321,178,070	2,437,377,638
2015	16,895,000	37,246,897	54,141,897	2,264,753,330	2,318,895,227
2016	16,990,000	36,787,017	53,777,017	2,231,550,138	2,285,327,155
2017	17,640,000	36,293,676	53,933,676	2,212,012,364	2,265,946,040
2018	25,570,000	35,783,272	61,353,272	2,184,267,785	2,245,621,057
2019	32,570,000	34,860,890	67,430,890	2,164,198,675	2,231,629,565
2020	33,580,000	33,672,960	67,252,960	2,141,555,762	2,208,808,722
2021	35,040,000	32,236,291	67,276,291	2,024,701,930	2,091,978,221
2022	43,140,000	30,486,646	73,626,646	1,912,701,847	1,986,328,493
2023	35,350,000	28,844,550	64,194,550	1,846,631,542	1,910,826,092
2024	25,625,000	27,305,050	52,930,050	1,806,428,755	1,859,358,805
2025	27,350,000	26,023,800	53,373,800	1,785,819,855	1,839,193,655
2026	28,590,000	24,656,300	53,246,300	1,794,195,375	1,847,441,675
2027	32,160,000	23,226,800	55,386,800	1,637,579,618	1,692,966,418
2028	35,835,000	21,618,800	57,453,800	1,648,573,462	1,706,027,262
2029	38,405,000	19,612,175	58,017,175	1,365,731,904	1,423,749,079
2030	28,040,000	18,021,200	46,061,200	1,197,259,942	1,243,321,142
2031	29,210,000	16,619,200	45,829,200	1,103,024,205	1,148,853,405
2032	27,575,000	15,147,200	42,722,200	980,025,874	1,022,748,074
2033	24,940,000	13,779,950	38,719,950	813,090,650	851,810,600
2034	26,185,000	12,532,950	38,717,950	770,204,308	808,922,258
2035	27,495,000	11,223,700	38,718,700	740,838,782	779,557,482
2036	28,745,000	9,972,925	38,717,925	664,149,417	702,867,342
2037	30,055,000	8,664,000	38,719,000	552,637,109	591,356,109
2038	26,400,000	7,294,000	33,694,000	481,234,025	514,928,025
2039	27,720,000	5,974,000	33,694,000	393,751,533	427,445,533
2040	29,110,000	4,588,000	33,698,000	263,043,439	296,741,439
2041	30,560,000	3,132,500	33,692,500	159,409,363	193,101,863
2042	32,090,000	1,604,500	33,694,500	70,627,488	104,321,988
Total⁽³⁾	\$877,660,000	\$628,613,816	\$1,506,273,816	\$41,853,484,995	\$43,359,758,811

- (1) Interest on \$303,935,000 principal amount of outstanding State Personal Income Tax Revenue Bonds that bear interest at variable rates is calculated based on assumed rates equal to the fixed swap rates paid by the applicable Authorized Issuers on the related interest rate exchange agreements and interest on \$74,615,000 principal amount of outstanding State Personal Income Tax Revenue Bonds that bear interest at variable rates is calculated based on an assumed rate of 3.5 percent.
- (2) The information set forth under the column captioned “Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service” reflects debt service on outstanding State Personal Income Tax Revenue Bonds and on State Personal Income Tax Revenue Bonds contractually obligated to be issued and delivered by Authorized Issuers as of the date of this Official Statement. The State expects that Authorized Issuers will be issuing State Personal Income Tax Revenue Bonds from time to time and to the extent that such other State Personal Income Tax Revenue Bonds are either issued or contractually obligated to be issued and delivered pursuant to one or more executed bond purchase agreements or bond awards after the date of this Official Statement, this Official Statement will not be supplemented to reflect such updated information.
- (3) Excludes debt service on outstanding State Personal Income Tax Revenue Bonds issued by the Authority and EFC that are being refunded with a portion of the proceeds of the Series 2012D Bonds.

PART 10—ESTIMATED SOURCES AND USES OF FUNDS

Series 2012D Bonds

The following table sets forth the estimated sources and uses of funds with respect to the Series 2012D Bonds:

Sources of Funds	
Principal amount of Series 2012D Bonds.....	\$762,340,000.00
Original Issue Premium.....	124,534,383.85
Other Available Funds.....	<u>29,152,697.06</u>
Total Sources	<u>\$916,027,080.91</u>
Uses of Funds	
Deposit to Bond Proceeds Fund	\$621,465,255.16
Deposit to Refunding Escrows	283,890,037.24
Costs of Issuance*	7,084,883.38
Underwriters' Discount	<u>3,586,905.13</u>
Total Uses	<u>\$916,027,080.91</u>

Series 2012E Bonds

The following table sets forth the estimated sources and uses of funds with respect to the Series 2012E Bonds:

Sources of Funds	
Principal amount of Series 2012E Bonds.....	\$54,715,000.00
Original Issue Premium.....	<u>8,891,648.70</u>
Total Sources	<u>\$63,606,648.70</u>
Uses of Funds	
Deposit to Bond Proceeds Fund	\$62,272,295.00
Costs of Issuance*	1,063,677.97
Underwriters' Discount	<u>270,675.73</u>
Total Uses	<u>\$ 63,606,648.70</u>

Series 2012F Bonds

The following table sets forth the estimated sources and uses of funds with respect to the Series 2012F Bonds:

Sources of Funds	
Principal amount of Series 2012F Bonds	\$60,605,000.00
Other Available Funds.....	<u>51,013.59</u>
Total Sources	<u>\$60,656,013.59</u>
Uses of Funds	
Deposit to Bond Proceeds Fund	\$13,000,000.00
Deposit to Refunding Escrow.....	46,848,393.84
Costs of Issuance*	564,237.48
Underwriters' Discount	<u>243,382.27</u>
Total Uses	<u>\$60,656,013.59</u>

*Includes New York State Bond Issuance Charge.

PART 11—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 September 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 September 30, 2012 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
State University of New York Dormitory Facilities.....	\$ 2,973,376,000	\$ 1,546,315,000	\$ 0	\$ 1,546,315,000
State University of New York Educational and Athletic Facilities	16,765,662,999	7,139,229,207	0	7,139,229,207
Upstate Community Colleges of the State University of New York.....	1,644,630,000	647,385,000	0	647,385,000
Senior Colleges of the City University of New York.....	11,488,156,762	3,899,363,213	0	3,899,363,213
Community Colleges of the City University of New York.....	2,658,613,350	581,786,787	0	581,786,787
BOCES and School Districts	3,504,056,208	2,532,440,000	0	2,532,440,000
Judicial Facilities	2,161,277,717	637,947,717	0	637,947,717
New York State Departments of Health and Education and Other.....	9,336,660,000	6,647,410,000	0	6,647,410,000
Mental Health Services Facilities	8,662,585,000	4,009,210,000	0	4,009,210,000
New York State Taxable Pension Bonds	773,475,000	0	0	0
Municipal Health Facilities Improvement Program	<u>1,146,845,000</u>	<u>717,200,000</u>	<u>0</u>	<u>717,200,000</u>
Totals Public Programs.....	<u>\$ 61,115,338,036</u>	<u>\$ 28,358,286,924</u>	<u>\$ 0</u>	<u>\$ 28,358,286,924</u>

<u>Non-Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>	<u>Notes Outstanding</u>	<u>Bonds and Notes Outstanding</u>
Independent Colleges, Universities and Other Institutions.....	\$ 21,385,814,952	\$ 10,564,624,324	\$ 70,895,000	\$ 10,635,519,324
Voluntary Non-Profit Hospitals.....	15,487,504,309	6,763,085,000	0	6,763,085,000
Facilities for the Aged.....	2,090,355,000	536,280,000	0	536,280,000
Supplemental Higher Education Loan Financing Program.....	<u>95,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals Non-Public Programs.....	<u>\$ 39,058,674,261</u>	<u>\$ 17,863,989,324</u>	<u>\$ 70,895,000</u>	<u>\$ 17,934,884,324</u>
Grand Totals Bonds and Notes	<u>\$ 100,174,012,297</u>	<u>\$ 46,222,276,248</u>	<u>\$ 70,895,000</u>	<u>\$ 46,293,171,248</u>

Outstanding Indebtedness of the Agency Assumed by the Authority

At September 30, 2012, the Agency had approximately \$163 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 September 30, 2012 were as follows:

<u>Public Programs</u>	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
Mental Health Services Improvement Facilities	<u>\$ 3,817,230,725</u>	<u>\$ 0</u>
<u>Non-Public Programs</u>		
Hospital and Nursing Home Project Bond Program	\$ 226,230,000	\$ 2,035,000
Insured Mortgage Programs	6,625,079,927	158,710,000
Revenue Bonds, Secured Loan and Other Programs	<u>2,414,240,000</u>	<u>2,790,000</u>
Total Non-Public Programs.....	<u>\$ 9,265,549,927</u>	<u>\$ 163,535,000</u>
Total MCFFA Outstanding Debt.....	<u>\$ 13,082,780,652</u>	<u>\$ 163,535,000</u>

Governance

The Authority carries out its programs through an eleven-member board, a full-time staff of approximately 660 persons, independent bond counsel and other outside advisors. Board members include the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her who serves until his or her successor is appointed, the Director of the Budget of the State, one member appointed by the Temporary President of the State Senate, one member appointed by the Speaker of the State Assembly and five members appointed by the Governor, with the advice and consent of the Senate, for terms of three years. The Commissioner of Education of the State, the Commissioner of Health of the State and the Director of the Budget of the State each may appoint a representative to attend and vote at Authority meetings. The members of the Authority serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties.

The Governor of the State appoints a Chair from the members appointed by him or her and the members of the Authority annually choose the following officers, of which the first two must be members of the Authority: Vice-Chair, Secretary, Treasurer, Assistant Secretaries and Assistant Treasurers.

The current members of the Authority are as follows:

ALFONSO L. CARNEY, JR., *Chair*, New York.

Alfonso L. Carney, Jr. was appointed as a Member of the Authority by the Governor on May 20, 2009. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical and legal consulting services in New York City. Consulting for the firm in 2005, he served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he directed overall staff management of the foundation, and provided strategic oversight of the administration, communications and legal affairs teams, and developed selected foundation program initiatives. Prior to this, Mr. Carney held several positions with Altria Corporate Services, Inc., most recently as Vice President and Associate General Counsel for Corporate and Government Affairs. Prior to that, Mr. Carney served as Assistant Secretary of Philip Morris Companies Inc. and Corporate Secretary of Philip Morris Management Corp. For eight years, Mr. Carney was Senior International Counsel first for General Foods Corporation and later for Kraft Foods, Inc. and previously served as Trade Regulation Counsel, Assistant Litigation Counsel and Federal Government Relations Counsel for General Foods, where he began his legal career in 1975 as a Division Attorney. Mr. Carney is a trustee of Trinity College, the University of Virginia Law School Foundation, the Riverdale Country School and the Virginia Museum of Fine Arts in Richmond. In addition, he is a trustee of the Burke Rehabilitation Hospital in White Plains. Mr. Carney holds a Bachelors degree in Philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His current term expires on March 31, 2013.

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

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

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

Jacques Jiha was appointed as a Member of the Authority by the Governor on December 15, 2008. Mr. Jiha is the Executive Vice President/Chief Operating Officer & Chief Financial Officer of Earl G. Graves, Ltd/Black Enterprise, a multi-media company with properties in print, digital media, television, events and the internet. He is a member of the Investment Advisory Committee of the New York Common Retirement Fund and a member of the Board of Directors at Ronald McDonald House of New York. Previously, Mr. Jiha served as Deputy Comptroller for Pension Investment and Public Finance in the Office of the New York State Comptroller. As the state's chief investment officer, he managed the assets of the NY Common Retirement Fund, valued at \$120 billion, and was also in charge of all activities related to the issuance of New York State general obligation bonds, bond anticipation notes, tax and revenue anticipation notes, and certificates of participation. Mr. Jiha was the Co-Executive Director of the New York State Local Government Assistance Corporation (LGAC) in charge of the sale

of refunding bonds, the ratification of swap agreements, and the selection of financial advisors and underwriters. Prior thereto, Mr. Jiha was Nassau County Deputy Comptroller for Audits and Finances. He also worked for the New York City Office of the Comptroller in increasingly responsible positions: first as Chief Economist and later as Deputy Comptroller for Budget. Earlier, Mr. Jiha served as Executive Director of the New York State Legislative Tax Study Commission and as Principal Economist for the New York State Assembly Committee on Ways and Means. He holds a Ph.D. and a Master's degree in Economics from the New School University and a Bachelor's degree in Economics from Fordham University. His current term expired on March 31, 2011 and by law he continues to serve until a successor shall be chosen and qualified.

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

SANDRA M. SHAPARD, Delmar.

Ms. Shapard was appointed as a Member of the Authority by the State Comptroller on January 21, 2003. Ms. Shapard served as Deputy Comptroller for the Office of the State Comptroller from January, 1995 until her retirement in 2001, during which time she headed the Office of Fiscal Research and Policy Analysis and twice served as Acting First Deputy Comptroller. Previously, Ms. Shapard held the positions of Deputy Director and First Deputy Director for the New York State Division of Budget, from 1991 to 1994, and Deputy Assistant Commissioner for Transit for the State Department of Transportation, from 1988 to 1991. She began her career in New York State government with the Assembly in 1975 where, over a thirteen year period, she held the positions of Staff Director of the Office of Counsel to the Majority, Special Assistant to the Speaker, and Deputy Director of Budget Studies for the Committee on Ways and Means. Ms. Shapard also served as Assistant to the County Executive in Dutchess County. A graduate of Mississippi University for Women, Ms. Shapard received a Masters of Public Administration from Harvard University, John F. Kennedy School of Government, where she has served as visiting lecturer, and has completed graduate work at Vanderbilt University.

GERARD ROMSKI, Esq., Mount Kisco.

Mr. Ronski 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. Ronski 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. Ronski 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. Ronski 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 the Authority'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 2012 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 12—AGREEMENT OF THE STATE

The Authority Act provides 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, among other things, fulfill the terms of any agreements made 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 and bonds until such notes and 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. The General Resolution includes such pledge to the fullest extent enforceable under applicable Federal and State law. Nevertheless, nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax imposed pursuant to Article 22 of the Tax Law. An Event of Default under the General Resolution would not occur solely as a result of the State exercising its right to amend, repeal, modify or otherwise alter such taxes and fees.

PART 13—TAX MATTERS

Series 2012D Bonds

General

In the opinions of Hawkins Delafield & Wood LLP and Bryant Rabbino LLP, co-bond counsel to the Authority (collectively, “Co-Bond Counsel”), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2012D Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Series 2012D Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering such opinions, Co-Bond Counsel have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, the New York State Department of Mental Hygiene (“DMH”), Office of Mental Health (“OMH”), Office for Persons with Developmental Disabilities (“OPWDD”), Office of Alcoholism and Substance Abuse Services (“OASAS”), each voluntary agency receiving a loan from the Authority financed with proceeds of the Series 2012D Bonds, the New York State Department of Education (“SED”), the New York State Office of Court Administration (“OCA”), the State University of New York (“SUNY”), the State University Construction Fund (“SUCF”), the City University of New York (“CUNY”), the New York State Department of Environmental Conservation (“DEC”), the New York State Office of Parks, Recreation and Historic Preservation (“OPRHP”), the New York State Department of Agriculture and Markets (“DAM”), the New York State Department of State (“DOS”) and others, and Co-Bond Counsel to the Authority have assumed compliance by the Authority, DMH, OMH, OPWDD, OASAS, each voluntary agency receiving a loan from the Authority financed with proceeds of the Series 2012D Bonds, SED, OCA, SUNY, SUCF, CUNY, DEC, OPRHP, DAM, DOS and others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2012D Bonds from gross income under Section 103 of the Code. In rendering such opinions, Co-Bond Counsel have also relied on the opinion of Hogan Lovells US LLP, counsel to SUNY, that the Downstate at LICH Holding Company, Inc., as the title owner of a SUNY project being refinanced with proceeds of the Series 2012D Bonds, is an instrumentality of SUNY for purposes of Section 103 and Section 141 through 150, inclusive, of the Code.

In addition, in the opinions of Co-Bond Counsel, under existing statutes, interest on the Series 2012D Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Co-Bond Counsel express no opinion regarding any other Federal or state tax consequences with respect to the Series 2012D Bonds. Co-Bond Counsel render their respective opinions under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement their opinions to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to their attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Co-Bond Counsel express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income of interest on the Series 2012D Bonds for Federal income tax purposes, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2012D Bonds in order that interest on the Series 2012D Bonds be and remain

excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2012D Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2012D Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority, DMH, OMH, OPWDD, OASAS, each voluntary agency receiving a loan from the Authority financed with proceeds of the Series 2012D Bonds, SED, OCA, SUNY, SUCF, CUNY, DEC, OPRHP, DAM, DOS and others have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2012D Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2012D Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2012D Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2012D Bonds.

Prospective owners of the Series 2012D Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Series 2012D Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Bond Premium

In general, if an owner acquires a Series 2012D Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2012D Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2012D Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2012D Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2012D Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2012D Bonds under Federal or state law or otherwise prevent beneficial owners of the Series 2012D Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2012D Bonds.

Prospective purchasers of the Series 2012D Bonds should consult their own tax advisors regarding the foregoing matters.

The proposed forms of the opinions of Co-Bond Counsel relating to the Series 2012D Bonds are set forth in Appendix D hereto.

Series 2012E Bonds

General

In the opinions of Co-Bond Counsel, under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, (i) interest on the Series 2012E Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), except that no opinion is expressed as to such exclusion of interest on any Series 2012E Bond for any period during which the Series 2012E Bond is held by a person who, within the meaning of section 147(a) of the Code, is a “substantial user” of the facilities financed with the proceeds of the Series 2012E Bonds or a “related person,” and (ii) interest on the Series 2012E Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering such opinions, Co-Bond Counsel have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, OMH, each voluntary agency receiving a loan from the Authority made with proceeds of the Series 2012E Bonds and others, and Co-Bond Counsel have assumed compliance by the Authority, OMH, each voluntary agency receiving a loan from the Authority

made with proceeds of the Series 2012E Bonds and others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2012E Bonds from gross income under Section 103 of the Code.

In addition, in the opinions of Co-Bond Counsel, under existing statutes, interest on the Series 2012E Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Co-Bond Counsel express no opinion regarding any other Federal or state tax consequences with respect to the Series 2012E Bonds. Co-Bond Counsel render their respective opinions under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement their opinions to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to their attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Co-Bond Counsel express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2012E Bonds, or the exemption from personal income taxes of interest on the Series 2012E Bonds under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2012E Bonds in order that interest on the Series 2012E Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2012E Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2012E Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority, OMH, each voluntary agency receiving a loan from the Authority made with proceeds of the Series 2012E Bonds and others have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2012E Bonds from gross income under Section 103 of the Code.

Under applicable provisions of the Code, the exclusion from gross income of interest on the Series 2012E Bonds for purposes of Federal income taxation requires that either (i) at least 20% of the units in each voluntary agency facility financed by the Series 2012E Bonds be occupied during the “Qualified Project Period” (defined below) by individuals whose incomes, determined in a manner consistent with Section 8 of the United States Housing Act of 1937, as amended, do not exceed 50% of the median income for the area, as adjusted for family size, or (ii) at least 25% of the units in each voluntary agency facility financed by the Series 2012E Bonds be occupied during the “Qualified Project Period” by individuals whose incomes, determined in a manner consistent with Section 8 of the United States Housing Act of 1937, as amended, do not exceed 60% of the median income for the area, as adjusted for family size, and (iii) all of the units of each such voluntary agency facility be rented or available for rental on a continuous basis during the Qualified Project Period. “Qualified Project Period” for each such voluntary agency facility means a period commencing upon the later of (a) occupancy of 10% of the units in each such voluntary agency facility or (b) the date of issue of the Series 2012E Bonds and running until the later of (i) the date which is 15 years after occupancy of 50% of the units in each such voluntary agency facility, (ii) the first date on which no tax-exempt private activity bonds issued with respect to each such voluntary agency facility are outstanding or (iii) the date on which any assistance provided with respect to such voluntary agency facility under Section 8 of the 1937 Housing Act terminates. Each such voluntary agency facility will meet the continuing low income requirement as long as the income of the individuals occupying the unit does not increase to more than 140% of the

applicable limit. Upon an increase over 140% of the applicable limit, the next available unit of comparable or smaller size in the voluntary agency facility must be rented to an individual having an income that does not exceed the applicable income limitation.

In the event of noncompliance with the requirements described in the preceding paragraph arising from events occurring after the issuance of the Series 2012E Bonds, Treasury Regulations provide that the exclusion of interest from gross income for Federal income tax purposes will not be impaired if the Authority takes appropriate corrective action within a reasonable period of time after such noncompliance is first discovered or should have been discovered by the Authority.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2012E Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2012E Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2012E Bonds.

Prospective owners of the Series 2012E Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Series 2012E Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Bond Premium

In general, if an owner acquires a Series 2012E Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2012E Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2012E Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2012E Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2012E Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2012E Bonds under Federal or state law or otherwise prevent beneficial owners of the Series 2012E Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2012E Bonds.

Prospective purchasers of the Series 2012E Bonds should consult their own tax advisors regarding the foregoing matters.

The proposed forms of the opinions of Co-Bond Counsel relating to the Series 2012E Bonds are set forth in Appendix D hereto.

Series 2012F Bonds

General

In the opinions of Co-Bond Counsel, interest on the Series 2012F Bonds (the “Taxable Bonds”) (i) is included in gross income for Federal income tax purposes pursuant to the Code and (ii) is exempt, under existing statutes, from personal income taxes imposed by the State of New York or any political subdivisions thereof (including The City of New York).

The following discussion is a summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of Taxable Bonds by original purchasers of the Taxable Bonds who are U.S. Holders (as defined below). This summary is based on the Code, Treasury regulations, revenue rulings and court decisions, all as now in effect and all subject to change at any time, possibly with retroactive effect. This summary assumes that the Taxable Bonds will be held as “capital assets” under the Code, and it does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Taxable Bonds as a position in a “hedge” or

“straddle” for United States Federal income tax purposes, holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire Taxable Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code. Each prospective purchaser of the Taxable Bonds should consult with its own tax advisor concerning the United States Federal income tax and other tax consequences to it of the acquisition, ownership and disposition of the Taxable Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

As used herein, the term “U.S. Holder” means a beneficial owner of a Taxable Bond that is for United States Federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

U.S. Holders—Interest Income

Interest on the Taxable Bonds is not excludable from gross income for United States Federal income tax purposes.

Bond Premium

In general, if a U.S. Holder acquires a Taxable Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Taxable Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Taxable Bond (a “Taxable Premium Bond”). In general, if a U.S. Holder of a Taxable Premium Bond elects to amortize the premium as “amortizable bond premium” over the remaining term of the Taxable Premium Bond, determined based on constant yield principles (in certain cases involving a Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income; the U.S. Holder will make a corresponding adjustment to such holder’s basis in the Taxable Premium Bond. Any such election applies to all debt instruments of the U.S. Holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired, and is irrevocable without the Internal Revenue Service’s consent. A U.S. Holder of a Taxable Premium Bond that so elects to amortize bond premium does so by offsetting the qualified stated interest allocable to each interest accrual period under the U.S. Holder’s regular method of Federal tax accounting against the bond premium allocable to that period. If the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is treated as a bond premium deduction under Section 171(a)(1) of the Code, subject to certain limitations. If a Taxable Premium Bond is optionally callable before maturity at a price in excess of its stated redemption price at maturity, special rules may apply with respect to the amortization of bond premium. Under certain circumstances, the U.S. Holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the U.S. Holder’s original acquisition cost.

U.S. Holders of any Taxable Premium Bonds should consult their own tax advisors with respect to the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, and disposition of Taxable Premium Bonds.

U.S. Holders—Disposition of Taxable Bonds

Except as discussed above, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Taxable Bond, a U.S. Holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U.S. Holder's adjusted tax basis in the Taxable Bond. A U.S. Holder's adjusted tax basis in a Taxable Bond generally will equal such U.S. Holder's initial investment in the Taxable Bond, decreased by the amount of any payments, other than qualified stated interest payments, received and bond premium amortized with respect to such Taxable Bond. Such gain or loss generally will be long-term capital gain or loss if the Taxable Bond was held for more than one year.

U.S. Holders—Defeasance

U.S. Holders of the Taxable Bonds should be aware that, for Federal income tax purposes, the deposit of moneys or securities in escrow in such amount and manner as to cause the Taxable Bonds to be deemed to be no longer outstanding under the Resolution of the Taxable Bonds (a "defeasance") (See "Appendix B—Summary of Certain Provisions of the General Resolution"), could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, for Federal income tax purposes, the character and timing of receipt of payments on the Taxable Bonds subsequent to any such defeasance could also be affected. U.S. Holders of the Taxable Bonds are advised to consult with their own tax advisors regarding the consequences of a defeasance for Federal income tax purposes, and for state and local tax purposes.

U.S. Holders—Backup Withholding and Information Reporting

In general, information reporting requirements will apply to non-corporate U.S. Holders with respect to payments of principal, payments of interest and the proceeds of the sale of a Taxable Bond before maturity within the United States. Backup withholding at a rate of 28% for the years 2003-2010 and at a rate of 31% for the year 2011 and thereafter, will apply to such payments unless the U.S. Holder (i) is a corporation or other exempt recipient and, when required, demonstrates that fact, or (ii) provides a correct taxpayer identification number, certifies under penalties of perjury, when required, that such U.S. Holder is not subject to backup withholding and has not been notified by the Internal Revenue Service that it has failed to report all interest and dividends required to be shown on its United States Federal income tax returns.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States Federal income tax provided the required information is furnished to the Internal Revenue Service.

Circular 230 Disclosure

The advice under the caption "Series 2012F Bonds," concerning certain income tax consequences of the acquisition, ownership and disposition of the Taxable Bonds, was written to support the marketing of the Taxable Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service, each prospective purchaser of the Taxable Bonds is advised that (i) any Federal tax advice contained in this Official Statement (including any attachments) or in writings furnished by Bond Counsel is not intended to be used, and cannot be used by any bondholder, for the purpose of avoiding penalties that may be imposed on the bondholder under the Code, and (ii) the bondholder should seek advice based on the bondholder's particular circumstances from an independent tax advisor.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Taxable Bonds under state law and could affect the market price or marketability of the Taxable Bonds.

Prospective purchasers of the Taxable Bonds should consult their own tax advisors regarding the foregoing matters.

For the proposed forms of the opinions of Co-Bond Counsel relating to the Series 2012F Bonds, see Appendix D hereto.

PART 14—LITIGATION

There is no litigation or other proceeding pending or, to the knowledge of the Authority, threatened in any court, agency or other administrative body (either State or Federal) restraining or enjoining the issuance, sale or delivery of the Series 2012 Bonds, or in any way questioning or affecting (i) the proceedings under which the Series 2012 Bonds are to be issued, (ii) the pledge effected under the General Resolution, or (iii) the validity of any provision of the Enabling Act, the Series 2012 Bonds, the General Resolution or the Financing Agreement.

PART 15—CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery of the Series 2012 Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, and Bryant Rabbino LLP, New York, New York, Co-Bond Counsel to the Authority, and to certain other conditions. The approving opinions of Co-Bond Counsel will be delivered with the Series 2012 Bonds. The proposed forms of such opinions are included in this Official Statement as Appendix D. Certain legal matters will be passed upon for the Underwriters by their counsel, Winston & Strawn LLP, New York, New York.

PART 16—UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Representative”), on behalf of the Underwriters of the Series 2012 Bonds (the “Underwriters”), has agreed, subject to the terms of a Contract of Purchase with the Authority relating to the Series 2012 Bonds (the “Contract of Purchase”), to purchase the Series 2012 Bonds from the Authority. The Contract of Purchase provides, in part, that subject to certain conditions, the Underwriters will purchase from the Authority \$877,660,000 aggregate principal amount of Series 2012 Bonds at a purchase price of \$1,006,985,069.42 (representing the principal amount of the Series 2012 Bonds plus an original issue premium of \$133,426,032.55 and net of underwriters’ discount of \$4,100,963.13) and to make a public offering of the Series 2012 Bonds at prices that are not in excess of the public offering price or prices (or less than the yields) stated on the inside cover page of this Official Statement. The Underwriters will be obligated to purchase all such Series 2012 Bonds if any are purchased. The Series 2012 Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

The following paragraphs have been provided by the respective Underwriters named therein.

The Representative and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities.

The Representative and its affiliates have, from time to time, performed, and may in the future perform various investment banking services for the Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Representative and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority. In addition, to the extent an Underwriter or an affiliate thereof holds any of the Refunded Bonds, such Underwriter or affiliate, as applicable, would receive a portion of the proceeds from the issuance of the Series 2012 Bonds contemplated herein in connection with the refunding of the Refunded Bonds.

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

On April 2, 2012, Raymond James Financial, Inc. (“RJF”), the parent company of Raymond James & Associates, Inc. (“Raymond James”), acquired all of the stock of Morgan Keegan & Company, Inc. (“Morgan Keegan”) from Regions Financial Corporation. Morgan Keegan and Raymond James are each registered broker-dealers. Both Morgan Keegan and Raymond James are wholly owned subsidiaries of RJF and, as such, are affiliated broker-dealer companies under the common control of RJF, utilizing the trade name “Raymond James | Morgan Keegan” that appears on the cover of this Official Statement. It is anticipated that the businesses of Raymond James and Morgan Keegan will be combined. Morgan Keegan has entered into a distribution arrangement with Raymond James for the distribution of the Series 2012 Bonds at the original issue prices. Such arrangement generally provides that Morgan Keegan will share a portion of its underwriting compensation or selling concession with Raymond James.

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

TD Securities (USA) LLC, one of the Underwriters, has entered into a negotiated dealer agreement (the “TD Dealer Agreement”) with TD Ameritrade for the retail distribution of certain securities offerings, including the Series 2012 Bonds, at the original issue prices. Pursuant to the TD Dealer Agreement, TD Ameritrade will purchase Series 2012 Bonds from TD Securities (USA) LLC at the original issue prices less a negotiated portion of the selling concession applicable to any Series 2012 Bonds that TD Ameritrade sells.

“US Bancorp” is the marketing name of U.S. Bancorp and its subsidiaries, including U.S. Bancorp Investments, Inc., which is acting as one of the Underwriters for the Series 2012 Bonds.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National

Association (“WFBNA”). WFBNA has entered into an agreement (the “WFBNA Distribution Agreement”) with Wells Fargo Advisors, LLC (“WFA”) for the retail distribution of certain municipal securities offerings, including the Series 2012 Bonds. Pursuant to the WFBNA Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Series 2012 Bonds with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

PART 17—LEGALITY OF INVESTMENT

Under New York State law, the Series 2012 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 and public benefit corporations of the State may limit the investment of funds of such authorities and corporations in the Series 2012 Bonds.

PART 18—VERIFICATION OF MATHEMATICAL COMPUTATIONS

When the Series 2012 Bonds are issued, Samuel Klein and Company, Certified Public Accountants (the “Verification Agent”), will deliver to the Authority a report indicating that it has verified the arithmetic accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal amounts of, and the interest on, the Government Obligations to pay the interest and redemption price coming due on the Refunded Bonds and (b) certain yield calculations relating to the Refunded Bonds and the Series 2012 Bonds. See “PART 7—THE REFUNDING PLAN.”

PART 19—RATINGS

The Series 2012 Bonds are rated “AA” by Fitch and “AAA” by Standard & Poor’s. An explanation of the significance of such rating should be obtained from the rating agency furnishing the same. There is no assurance that such rating will prevail for any given period of time or that it will not be changed or withdrawn by such rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2012 Bonds.

PART 20—CONTINUING DISCLOSURE

In order to assist the Underwriters to comply with Rule 15c2-12 (“Rule 15c2-12”) promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended, each of the Authorized Issuers, the State, and each of the trustees under the general resolutions have entered into a written agreement (the “Master Disclosure Agreement”) for the benefit of all holders of State Personal Income Tax Revenue Bonds, including the holders of the Series 2012 Bonds, to provide continuing disclosure of certain financial and operating data concerning the State and the sources of the Revenue Bond Tax Fund Receipts (collectively, the “Annual Information”) in accordance with the requirements of Rule 15c2-12 and as described in the Master Continuing Disclosure Agreement. The Division of the Budget will electronically file with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) System on or before 120 days after the end of each State fiscal year, commencing, for the Series 2012 Bonds, with the fiscal year ending March 31, 2013. An executed copy of the Master Disclosure Agreement is attached hereto as Appendix E.

The State Comptroller is required by existing law to issue audited annual financial statements of the State, prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), within 120 days after the close of the State Fiscal Year, and the State will undertake to electronically file with the MSRB, the State’s annual financial statements prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, *provided, however*, that if audited financial statements are not then available, unaudited financial statements shall be filed no later than 120 days after the end of the State’s fiscal year and such audited statements shall be electronically filed with the MSRB, if and when such statements are available. In addition, the Authorized Issuers have undertaken, for the benefit of all holders of the State Personal Income Tax Revenue Bonds, including holders of Series 2012 Bonds, to electronically file with the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of any of the fourteen events described in the Master Disclosure Agreement, notice of any such events.

If any party to the Master Disclosure Agreement fails to comply with any provisions thereof, then each of the other parties to the Master Disclosure Agreement and, as a direct or third party beneficiary, as the case may be, any holder of State Personal Income Tax Revenue Bonds, including the holders of the Series 2012 Bonds, may enforce, for the equal benefit and protection of all holders similarly situated, by mandamus or other suit or proceeding at law or in equity, the Master Disclosure Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties thereunder. The sole and exclusive remedy for breach or default under the Master Disclosure Agreement to provide continuing disclosure described above is an action to compel specific performance of the undertakings of the State and/or the applicable Authorized Issuer contained therein, and no person or other entity, including any holder of State Personal Income Tax Revenue Bonds, including the holders of the Series 2012 Bonds, may recover monetary damages thereunder under any circumstances. Any holder of State Personal Income Tax Revenue Bonds, including the holders of Series 2012 Bonds, including any beneficial owner, may enforce the Master Disclosure Agreement to the equal and proportionate benefit of all holders similarly situated to the extent provided in the Master Disclosure Agreement. A breach or default under the Master Disclosure Agreement shall not constitute an Event of Default under the general resolutions. 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 Master Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided. The obligations of the State under the Master Disclosure Agreement may be terminated if the State ceases to be an obligated person as defined in Rule 15c2-12.

The State has not in the previous five years failed to comply, in any material respect, with any previous undertakings pursuant to Rule 15c2-12. The Master Disclosure Agreement is intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it is related have been materially changed or discontinued, a statement to that effect will be provided. As a result, the parties to the Master Disclosure Agreement do not anticipate that it often will be necessary to amend the information undertakings. The Master Disclosure Agreement, however, may be amended or modified without Bondholders’ consent under certain circumstances set forth therein.

PART 21—MISCELLANEOUS

Certain information concerning the State (which is either included in or appended to this Official Statement) has been furnished or reviewed and authorized for use by the Authority by such sources as

described in this Official Statement. 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 State provided the information relating to the State in “APPENDIX A—INFORMATION CONCERNING THE STATE OF NEW YORK.”

The Director of the Budget of the State of New York is to certify that the statements and information appearing (i) under the headings “PART 1—SUMMARY STATEMENT” (except under the subcaption “Purpose of Issue; Security for Series 2012 Bonds” as to which no representation is made), “PART 2—INTRODUCTION” (the second, third, fifth, seventh, eighth, ninth and eleventh paragraphs only), “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS”, (ii) under the heading “PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND”, (iii) under the heading captioned “PART 9—DEBT SERVICE REQUIREMENTS” as to the column “Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service” and (iv) in the “Annual Information Statement of the State of New York”, including any updates or supplements, included in Appendix A to this Official Statement are true, correct and complete in all material respects, and that no facts have come to his attention that would lead him to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading, *provided, however*, that while the information and statements contained under such headings and in Appendix A 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 Appendix A hereto 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 offices of the Department of Law of the State, without any further independent investigation. The certification is to apply both as of the date of this Official Statement and as of the date of delivery of the Series 2012 Bonds.

Lamont Financial Services Corporation has acted as financial advisor to the Authority in connection with the sale and issuance of the Series 2012 Bonds.

The references herein to the Authority Act, the Enabling Act, other laws of the State, the General Resolution and the Financing 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 2012 Bonds are fully set forth in the General Resolution (including any supplemental resolutions thereto), and neither any advertisement of the Series 2012 Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2012 Bonds. So far as any statements are made in this Official Statement involving matters of opinion, forecasts or estimates, whether or not expressly stated, are intended merely as expressions of opinion, forecasts or estimates and not as representations of fact. Copies of the documents mentioned in this paragraph are available for review at the corporate headquarters of the Authority located at 515 Broadway, Albany, New York 12207.

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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APPENDIX A

INFORMATION CONCERNING THE STATE OF NEW YORK

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APPENDIX A

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 A 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 A 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 A 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 2016¹.
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)				
	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
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	

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)					
<u>Year</u>	<u>Personal Income</u>	<u>Cap %</u>	<u>Actual/Recommended %</u>	<u>\$ (Above)/Below</u>	<u>% (Above)/Below</u>
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)					
<u>Year</u>	<u>All Funds Receipts</u>	<u>Cap %</u>	<u>Actual/Recommended %</u>	<u>\$ (Above)/Below</u>	<u>% (Above)/Below</u>
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 gaps². 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					
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.

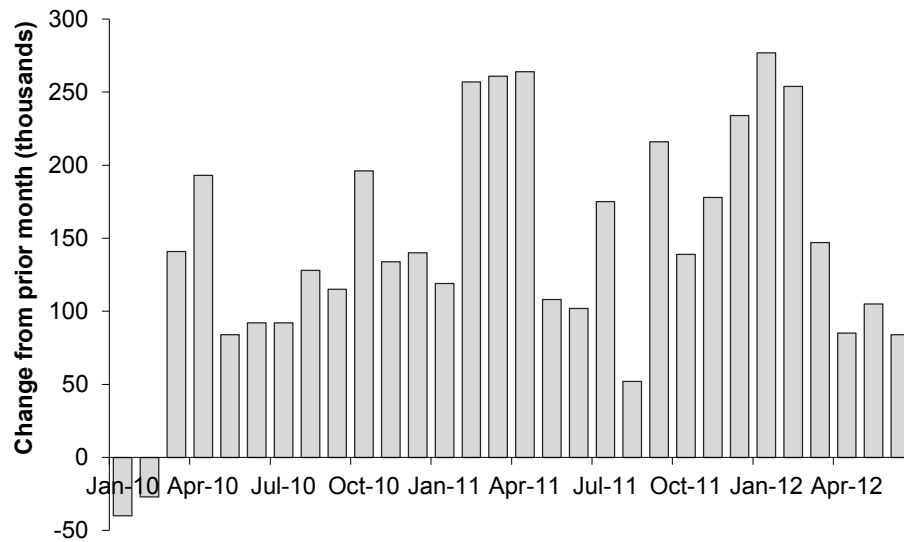
STATE OPERATING FUNDS PROJECTIONS (millions of dollars)					
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
	Results	Updated	Projected	Projected	Projected
Receipts					
Taxes	62,960	64,906	68,644	70,173	72,918
Miscellaneous Receipts/Federal Grants	19,656	20,223	20,356	20,124	20,287
Total Receipts	82,616	85,129	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	2012	2013
	(Estimated)	(Forecast)	(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 Fund¹	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	FY 2014	Annual \$	FY 2015	Annual \$	FY 2016	Annual \$
	Estimated	Projected	Change	Projected	Change	Projected	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 Fund¹	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 Fund¹	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 Funds²	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 Fund¹	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 Fund¹	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 Fund¹	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	FY 2015	Annual \$	FY 2016	Annual \$
	Projected	Projected	Change	Projected	Change
General Fund¹	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 billion 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 Fund¹	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 Fund¹	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 Fund¹	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 Fund¹	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	FY 2015	Annual \$	FY 2016	Annual \$
	Projected	Projected	Change	Projected	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)	<u>\$1,544</u>	<u>\$1,467</u>	<u>\$1,846</u>	<u>\$2,458</u>	<u>\$3,201</u>
- 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	<u>87,984</u>	<u>91,793</u>	<u>96,330</u>	<u>100,588</u>	<u>101,393</u>
- 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)								
<u>SY 2012</u>	<u>SY 2013</u>	<u>Change</u>	<u>SY 2014</u>	<u>Change</u>	<u>SY 2015</u>	<u>Change</u>	<u>SY 2016</u>	<u>Change</u>
\$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	FY 2013		FY 2014		FY 2015		FY 2016	
	Results	Updated	Change	Projected	Change	Projected	Change	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	FY 2013		FY 2014		FY 2015		FY 2016	
	Results	Updated	Change	Projected	Change	Projected	Change	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	FY 2013		FY 2014		FY 2015		FY 2016	
	Results	Updated	Change	Projected	Change	Projected	Change	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	FY 2014 Change Projected		FY 2015 Change Projected		FY 2016 Change Projected		
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	<u>4,996</u>	<u>5,256</u>	<u>5.2%</u>	<u>5,355</u>	<u>1.9%</u>	<u>5,595</u>	<u>4.5%</u>	<u>5,563</u>	<u>-0.6%</u>
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)									
	<u>FY 2012</u>	<u>FY 2013</u>		<u>FY 2014</u>		<u>FY 2015</u>		<u>FY 2016</u>	
	<u>Results</u>	<u>Updated</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>
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, reinstating 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)					
	<u>FY 2012</u> <u>Results</u>	<u>FY 2013</u> <u>Updated</u>	<u>FY 2014</u> <u>Projected</u>	<u>FY 2015</u> <u>Projected</u>	<u>FY 2016</u> <u>Projected</u>
Opening Balance	159	3	0	0	0
Total Receipts	<u>5,317</u>	<u>5,921</u>	<u>6,184</u>	<u>6,303</u>	<u>6,184</u>
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	<u>5,473</u>	<u>5,924</u>	<u>6,184</u>	<u>6,303</u>	<u>6,184</u>
Medicaid Assistance Account	<u>3,398</u>	<u>3,679</u>	<u>3,785</u>	<u>4,025</u>	<u>3,993</u>
<i>Medicaid Costs</i>	<u>2,178</u>	<u>2,290</u>	<u>2,464</u>	<u>2,703</u>	<u>2,672</u>
<i>Family Health Plus</i>	<u>602</u>	<u>690</u>	<u>657</u>	<u>657</u>	<u>657</u>
<i>Workforce Recruitment & Retention</i>	<u>184</u>	<u>211</u>	<u>197</u>	<u>197</u>	<u>197</u>
<i>All Other</i>	<u>434</u>	<u>488</u>	<u>467</u>	<u>468</u>	<u>467</u>
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	FY 2013	FY 2014		FY 2015		FY 2016		
	Results	Updated	Change	Projected	Change	Projected	Change	Projected	
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 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. 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:	<u>1,784</u>	<u>1,907</u>	<u>6.9%</u>	<u>1,907</u>	<u>0.0%</u>	<u>1,907</u>	<u>0.0%</u>	<u>1,907</u>	<u>0.0%</u>
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	FY 2013	Annual %	FY 2014	Annual %	FY 2015	Annual %	FY 2016	Annual %
	Results	Updated	Change	Projected	Change	Projected	Change	Projected	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	FY 2013	FY 2014	FY 2015	FY 2016
	Results	Updated	Projected	Projected	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	FY 2013		FY 2014		FY 2015		FY 2016	
	Results	Updated	Change	Projected	Change	Projected	Change	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	FY 2013	FY 2014		FY 2015		FY 2016		
	Results	Updated	Change	Projected	Change	Projected	Change	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	<u>3,275</u>	<u>3,202</u>	<u>-2.2%</u>	<u>3,411</u>	<u>6.5%</u>	<u>3,670</u>	<u>7.6%</u>	<u>3,951</u>	<u>7.7%</u>
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)					
	<u>FY 2012 Results</u>	<u>FY 2013 Updated</u>	<u>FY 2014 Projected</u>	<u>FY 2015 Projected</u>	<u>FY 2016 Projected</u>
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)				
	<u>FY 2012</u> <u>Results</u>	<u>FY 2013</u> <u>Updated</u>	<u>Annual</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
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)

<u>Fiscal Year Ended</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>All Governmental Funds</u>	<u>Accum. General Fund Surplus/(Deficit)</u>
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)

<u>Fiscal Year Ended</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
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 2009⁴. 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 percent⁵.

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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	Net Assets	Percent Increase/ (Decrease) From Prior Year
March 31		
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 with \$100 million or more in outstanding debt which 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 was included in the State's Basic Financial Statements that were published in July 2012 as a footnote disclosure. This debt will 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 Power 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 which 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, which was consolidated with the Dormitory Authority on September 1, 1995. The debt also includes \$220 million in bonds outstanding issued by the Dormitory Authority for Roswell 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 *Akwasne 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.

General Fund - Total Budget

Financial Plan, Annual Change from FY 2012 to FY 2013
Financial Plan Projections FY 2013 through FY 2016
Update to FY 2013
Update to FY 2014
Update to FY 2015
Update to FY 2016

General Fund - Revenue Detail (Excluding Transfers)

Financial Plan Projections FY 2013 through FY 2016

State Operating Funds Budget

FY 2013
FY 2014
FY 2015
FY 2016

All Governmental Funds - Total Budget

FY 2013
FY 2014
FY 2015
FY 2016

Cashflow - FY 2013 Monthly Projections

General Fund

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

	<u>FY 2012 Results</u>	<u>FY 2013 Projected</u>	<u>Annual \$ Change</u>	<u>Annual % Change</u>
Opening Fund Balance	<u>1,376</u>	<u>1,787</u>	<u>411</u>	<u>29.9%</u>
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	<u>56,900</u>	<u>58,895</u>	<u>1,995</u>	<u>3.5%</u>
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	<u>56,489</u>	<u>59,208</u>	<u>2,719</u>	<u>4.8%</u>
Excess (Deficiency) of Receipts Over Disbursements and Reserves	<u>411</u>	<u>(313)</u>	<u>(724)</u>	<u>-176.2%</u>
Closing Fund Balance	<u>1,787</u>	<u>1,474</u>	<u>(313)</u>	<u>-17.5%</u>
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)**

	<u>FY 2013 Projected</u>	<u>FY 2014 Projected</u>	<u>FY 2015 Projected</u>	<u>FY 2016 Projected</u>
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	<u>58,895</u>	<u>61,467</u>	<u>61,818</u>	<u>64,198</u>
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	<u>59,208</u>	<u>62,532</u>	<u>65,398</u>	<u>68,554</u>
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	<u>(313)</u>	<u>(83)</u>	<u>10</u>	<u>14</u>
Excess (Deficiency) of Receipts Over Disbursements and Reserves				
	<u>0</u>	<u>(982)</u>	<u>(3,590)</u>	<u>(4,370)</u>

Source: NYS DOB

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

	<u>Enacted</u>	<u>Change</u>	<u>First Quarter</u>
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:			
PIF 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	<u>58,900</u>	<u>(5)</u>	<u>58,895</u>
Disbursements:			
Local Assistance Grants	39,645	23	39,668
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	1,121	(29)	1,102
Total Disbursements	<u>58,868</u>	<u>340</u>	<u>59,208</u>
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	<u>32</u>	<u>(345)</u>	<u>(313)</u>
Excess (Deficiency) of Receipts Over Disbursements and Reserves	<u>0</u>	<u>0</u>	<u>0</u>

Source: NYS DOB

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

	<u>Enacted</u>	<u>Change</u>	<u>First Quarter</u>
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 CV/CA Debt Service	500	25	525
All Other	882	4	886
Total Receipts	<u>61,505</u>	<u>(38)</u>	<u>61,467</u>
Disbursements:			
Local Assistance Grants	41,872	((1)	41,871
Departmental Operations:			
Personal Service	5,370	(17)	5,487
Non-Personal Service	1,637	(7)	1,630
General State Charges	4,834	55	4,889
Transfers to Other Funds:			
Debt Service	1,853	(38)	1,817
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	<u>62,392</u>	<u>139</u>	<u>62,532</u>
Reserves:			
Community Projects Fund	(58)	((1)	(57)
Prior-Year Labor Agreements (2007-2011)	118	(144)	(26)
Increase (Decrease) in Reserves	<u>62</u>	<u>(145)</u>	<u>(83)</u>
Excess (Deficiency) of Receipts Over Disbursements and Reserves			
	<u>(950)</u>	<u>(32)</u>	<u>(982)</u>

Source: NYS DOB

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

	<u>Enacted</u>	<u>Change</u>	<u>First Quarter</u>
Receipts:			
Taxes:			
Personal Income Tax	29,612	1	29,613
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 CWCA Debt Service	576	25	601
All Other	770	4	774
Total Receipts	<u>61,819</u>	<u>(101)</u>	<u>61,818</u>
Disbursements:			
Local Assistance Grants	43,227	(2)	43,225
Departmental Operations:			
Personal Service	5,456	136	5,632
Non-Personal Service	1,722	49	1,771
General State Charges	5,179	56	5,245
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	<u>65,216</u>	<u>182</u>	<u>65,398</u>
Reserves:			
Prior-Year Labor Agreements (2007-2011)	118	(108)	10
Increase (Decrease) in Reserves	<u>118</u>	<u>(108)</u>	<u>10</u>
Excess (Deficiency) of Receipts Over Disbursements and Reserves	<u>(3,415)</u>	<u>(175)</u>	<u>(3,590)</u>

Source: NYS DOB

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

	<u>Enacted</u>	<u>Change</u>	<u>First Quarter</u>
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	<u>64,360</u>	<u>(162)</u>	<u>64,198</u>
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	<u>68,372</u>	<u>182</u>	<u>68,554</u>
Reserves:			
Prior-Year Labor Agreements (2007-2011)	118	(104)	14
Increase (Decrease) in Reserves	<u>118</u>	<u>(104)</u>	<u>14</u>
Excess (Deficiency) of Receipts Over Disbursements and Reserves	<u>(4,130)</u>	<u>(240)</u>	<u>(4,370)</u>

Source: NYS DOB

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

	<u>FY 2013</u> <u>Projected</u>	<u>FY 2014</u> <u>Projected</u>	<u>FY 2015</u> <u>Projected</u>	<u>FY 2016</u> <u>Projected</u>
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	<u>47,252</u>	<u>50,354</u>	<u>52,421</u>	<u>54,544</u>
State/City Offset	(198)	(198)	(148)	(148)
Refunds	(6,798)	(6,984)	(7,933)	(8,585)
Reported Tax Collections	<u>40,256</u>	<u>43,172</u>	<u>44,340</u>	<u>45,811</u>
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	<u>26,916</u>	<u>28,920</u>	<u>29,613</u>	<u>30,614</u>
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
Highway Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Utility Taxes and Fees	<u>12,023</u>	<u>12,523</u>	<u>13,079</u>	<u>13,568</u>
LGAC Sales Tax (Dedicated Transfers)	(2,827)	(2,953)	(3,093)	(3,217)
User Taxes and Fees	<u>9,196</u>	<u>9,570</u>	<u>9,986</u>	<u>10,351</u>
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	<u>6,035</u>	<u>6,208</u>	<u>5,686</u>	<u>6,237</u>
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	<u>1,831</u>	<u>1,874</u>	<u>2,029</u>	<u>2,104</u>
Real Estate Transfer Tax (Dedicated)	(685)	(735)	(805)	(880)
Other Taxes	<u>1,146</u>	<u>1,139</u>	<u>1,224</u>	<u>1,224</u>
Payroll Tax	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Taxes	<u>43,293</u>	<u>45,837</u>	<u>46,509</u>	<u>48,426</u>
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	<u>3,354</u>	<u>2,879</u>	<u>2,297</u>	<u>2,389</u>
Federal Grants	<u>60</u>	<u>2</u>	<u>0</u>	<u>0</u>
Total	<u>46,707</u>	<u>48,718</u>	<u>48,806</u>	<u>50,815</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>State Operating Funds Total</u>
Opening Fund Balance	<u>1,787</u>	<u>1,632</u>	<u>428</u>	<u>3,847</u>
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	<u>46,707</u>	<u>23,890</u>	<u>14,532</u>	<u>85,129</u>
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	<u>52,172</u>	<u>31,089</u>	<u>6,147</u>	<u>89,408</u>
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)	<u>5,152</u>	<u>7,256</u>	<u>(8,281)</u>	<u>4,127</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	<u>(313)</u>	<u>57</u>	<u>104</u>	<u>(152)</u>
Closing Fund Balance	<u>1,474</u>	<u>1,689</u>	<u>532</u>	<u>3,695</u>

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	<u>48,718</u>	<u>24,798</u>	<u>15,484</u>	<u>89,000</u>
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	<u>53,877</u>	<u>33,087</u>	<u>6,462</u>	<u>93,426</u>
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)	<u>4,094</u>	<u>8,497</u>	<u>(8,909)</u>	<u>3,682</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses				
	<u>(1,065)</u>	<u>208</u>	<u>113</u>	<u>(744)</u>
Designated General Fund Reserves:				
Community Projects Fund	(57)			
Prior-Year Labor Agreements (2007-2011)	(26)			
Increase (Decrease) in Reserves	<u>(83)</u>			
Net General Fund Deficit	<u>(982)</u>			

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>State Operating Funds Total</u>
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	<u>48,806</u>	<u>25,454</u>	<u>16,037</u>	<u>90,297</u>
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	<u>55,863</u>	<u>34,118</u>	<u>6,531</u>	<u>96,512</u>
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)	<u>3,477</u>	<u>9,073</u>	<u>(9,370)</u>	<u>3,180</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses				
	<u>(3,580)</u>	<u>409</u>	<u>136</u>	<u>(3,035)</u>
Designated General Fund Reserves:				
Prior-Year Labor Agreements (2007-2011)	10			
Increase (Decrease) in Reserves	<u>10</u>			
Net General Fund Deficit	<u>(3,590)</u>			

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>State Operating Funds Total</u>
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	<u>50,815</u>	<u>25,788</u>	<u>16,602</u>	<u>93,205</u>
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	<u>58,752</u>	<u>34,644</u>	<u>6,692</u>	<u>100,088</u>
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)	<u>3,581</u>	<u>9,302</u>	<u>(9,904)</u>	<u>2,979</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses				
	<u>(4,356)</u>	<u>446</u>	<u>6</u>	<u>(3,904)</u>
Designated General Fund Reserves:				
Prior-Year Labor Agreements (2007-2011)	14			
Increase (Decrease) in Reserves	<u>14</u>			
Net General Fund Deficit	<u>(4,370)</u>			

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	<u>46,707</u>	<u>64,378</u>	<u>7,826</u>	<u>14,532</u>	<u>133,443</u>
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	<u>52,172</u>	<u>67,593</u>	<u>8,067</u>	<u>6,147</u>	<u>133,979</u>
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)	<u>5,152</u>	<u>3,273</u>	<u>249</u>	<u>(8,281)</u>	<u>393</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	<u>(313)</u>	<u>58</u>	<u>8</u>	<u>104</u>	<u>(143)</u>
Closing Fund Balance	<u>1,474</u>	<u>1,652</u>	<u>(441)</u>	<u>532</u>	<u>3,217</u>

Source: NYS DOB

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>All Funds Total</u>
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	<u>48,718</u>	<u>66,876</u>	<u>7,655</u>	<u>15,484</u>	<u>138,733</u>
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	<u>53,877</u>	<u>71,406</u>	<u>7,863</u>	<u>6,462</u>	<u>139,608</u>
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)	<u>4,094</u>	<u>4,739</u>	<u>337</u>	<u>(8,909)</u>	<u>261</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses					
	<u>(1,065)</u>	<u>209</u>	<u>129</u>	<u>113</u>	<u>(614)</u>
Designated General Fund Reserves:					
Community Projects Fund	(57)				
Prior-Year Labor Agreements (2007-2011)	(26)				
Increase (Decrease) in Reserves	<u>(83)</u>				
Net General Fund Deficit	<u>(982)</u>				

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	<u>48,806</u>	<u>70,844</u>	<u>7,202</u>	<u>16,037</u>	<u>142,889</u>
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	<u>55,863</u>	<u>76,327</u>	<u>7,456</u>	<u>6,531</u>	<u>146,177</u>
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)	<u>3,477</u>	<u>5,894</u>	<u>251</u>	<u>(9,370)</u>	<u>252</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses					
	<u>(3,580)</u>	<u>411</u>	<u>(3)</u>	<u>136</u>	<u>(3,036)</u>
Designated General Fund Reserves:					
Prior-Year Labor Agreements (2007-2011)	10				
Increase (Decrease) in Reserves	<u>10</u>				
Net General Fund Deficit	<u>(3,590)</u>				

Source: NYS DOB

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

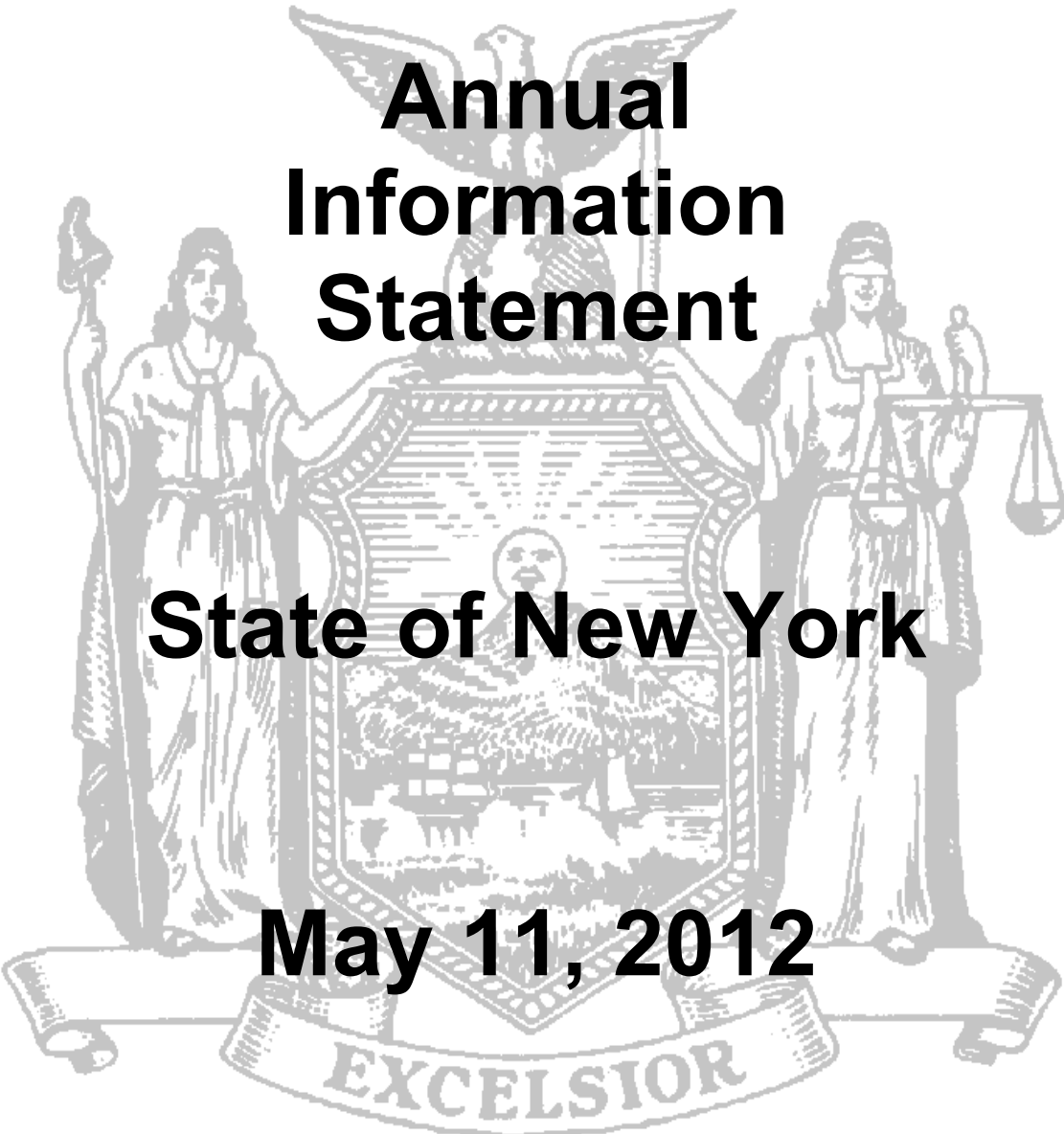
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	48,426	9,061	1,448	15,431	74,366
Miscellaneous Receipts	2,389	16,912	3,829	1,092	24,222
Federal Receipts	0	47,390	1,656	79	49,125
Total Receipts	<u>50,815</u>	<u>73,363</u>	<u>6,933</u>	<u>16,602</u>	<u>147,713</u>
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	<u>58,752</u>	<u>79,343</u>	<u>6,923</u>	<u>6,692</u>	<u>151,710</u>
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)	<u>3,581</u>	<u>6,427</u>	<u>(43)</u>	<u>(9,904)</u>	<u>61</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses					
	<u>(4,356)</u>	<u>447</u>	<u>(33)</u>	<u>6</u>	<u>(3,936)</u>
Designated General Fund Reserves:					
Prior-Year Labor Agreements (2007-2011)	14				
Increase (Decrease) in Reserves	<u>14</u>				
Net General Fund Deficit	<u>(4,370)</u>				

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
PII 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

The seal of the State of New York is centered in the background. It features an eagle with wings spread, perched atop a shield. The shield depicts a Native American holding a bow and arrow. Two female figures, Liberty and Justice, stand on either side of the shield. Liberty holds a torch, and Justice holds a scale. A banner at the bottom of the shield reads "EXCELSIOR".

**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 2013¹ (“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.

²Typically 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.

FINANCIAL PLAN INFORMATION

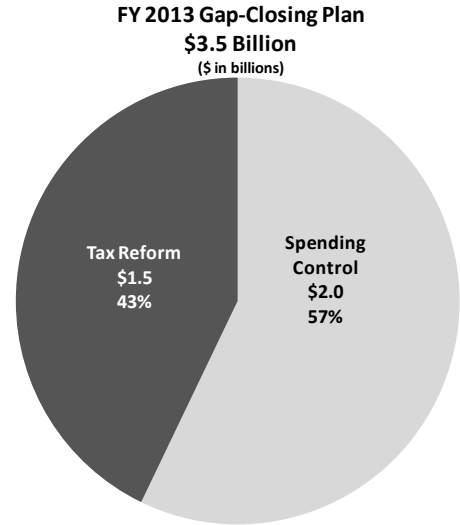
OTHER KEY FINANCIAL MEASURES AT-A-GLANCE

OTHER FINANCIAL PLAN MEASURES (millions of dollars)		
	FY 2012 Results	FY 2013 Enacted
Total General Fund Reserves	<u>\$1,787</u>	<u>\$1,819</u>
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	<u>\$133,504</u>	<u>\$133,393</u>
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
<p>1 Workforce results are through February 2012.</p> <p>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).</p>		

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.

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)

FINANCIAL PLAN INFORMATION

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

FINANCIAL PLAN INFORMATION

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.

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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:	<u>9,593</u>	<u>9,652</u>	<u>59</u>	<u>0.6%</u>
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%

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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.

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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

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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.

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- **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.

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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.

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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),

FINANCIAL PLAN INFORMATION

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).

FINANCIAL PLAN INFORMATION

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.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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)

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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 Fund¹	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.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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 Fund¹	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.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

General Fund income tax receipts for FY 2015 of \$29.6 billion are projected to increase by \$692 million (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.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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	FY 2015	Annual \$	FY 2016	Annual \$
	Projected	Projected	Change	Projected	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.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 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 Fund¹	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 Fund¹	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.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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	FY 2015	Annual \$	FY 2016	Annual \$
	Projected	Projected	Change	Projected	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.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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)	<u>\$1,544</u>	<u>\$1,467</u>	<u>\$1,846</u>	<u>\$2,458</u>	<u>\$3,201</u>
- 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	<u>87,984</u>	<u>91,793</u>	<u>96,330</u>	<u>100,588</u>	<u>101,393</u>
- 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.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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)								
<u>SY 2012</u>	<u>SY 2013</u>	<u>Change</u>	<u>SY 2014</u>	<u>Change</u>	<u>SY 2015</u>	<u>Change</u>	<u>SY 2016</u>	<u>Change</u>
\$19,542	\$20,347	\$805	\$21,059	\$712	\$21,901	\$842	\$22,908	\$1,007
		4.1%		3.5%		4.0%		4.6%

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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	FY 2013								
	Results	Enacted	Change	Projected	Change	Projected	Change	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	FY 2013								
	Results	Enacted	Change	Projected	Change	Projected	Change	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%	

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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%

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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	FY 2013		FY 2014		FY 2015		FY 2016	
	Results	Enacted	Change	Projected	Change	Projected	Change	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.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS ¹					
(millions of dollars)					
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
	<u>Results</u>	<u>Enacted</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
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.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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	<u>4,996</u>	<u>5,256</u>	<u>5.2%</u>	<u>5,355</u>	<u>1.9%</u>	<u>5,595</u>	<u>4.5%</u>	<u>5,563</u>	<u>-0.6%</u>
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 PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

PUBLIC HEALTH AND AGING									
(millions of dollars)									
	FY 2012	FY 2013		FY 2014		FY 2015		FY 2016	
	Results	Enacted	Change	Projected	Change	Projected	Change	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, reinstating 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.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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	<u>3,398</u>	<u>3,679</u>	<u>3,785</u>	<u>4,025</u>	<u>3,993</u>
<i>Medicaid Costs</i>	<i>2,176</i>	<i>2,290</i>	<i>2,464</i>	<i>2,704</i>	<i>2,672</i>
<i>Family Health Plus</i>	<i>602</i>	<i>690</i>	<i>657</i>	<i>657</i>	<i>657</i>
<i>Workforce Recruitment & Retention</i>	<i>184</i>	<i>211</i>	<i>197</i>	<i>197</i>	<i>197</i>
<i>All Other</i>	<i>436</i>	<i>488</i>	<i>467</i>	<i>467</i>	<i>467</i>
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

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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	FY 2013								
	Results	Enacted	Change	Projected	Change	Projected	Change	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

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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	FY 2013		FY 2014		FY 2015		FY 2016	
	Results	Enacted	Change	Projected	Change	Projected	Change	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.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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%

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

Legislation enacted in December 2011 eliminates the MTA payroll tax for all elementary and secondary schools as well as for certain small businesses. The 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	FY 2013	Annual %	FY 2014	Annual %	FY 2015	Annual %	FY 2016	Annual %
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	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.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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	<u>3,275</u>	<u>3,202</u>	<u>-2.2%</u>	<u>3,411</u>	<u>6.5%</u>	<u>3,670</u>	<u>7.6%</u>	<u>3,951</u>	<u>7.7%</u>
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.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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.

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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

	<u>FY 2012 Results</u>	<u>FY 2013 Enacted</u>	<u>Annual \$ Change</u>	<u>Annual % Change</u>
Opening Fund Balance	<u>1,376</u>	<u>1,787</u>	<u>411</u>	<u>29.9%</u>
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:				
PT 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	<u>1,044</u>	<u>1,070</u>	<u>26</u>	<u>2.5%</u>
Total Receipts	<u>56,900</u>	<u>58,900</u>	<u>2,000</u>	<u>3.5%</u>
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	<u>820</u>	<u>1,131</u>	<u>311</u>	<u>37.9%</u>
Total Disbursements	<u>56,489</u>	<u>58,868</u>	<u>2,379</u>	<u>4.2%</u>
Excess (Deficiency) of Receipts Over Disbursements and Reserves	<u>411</u>	<u>32</u>	<u>(379)</u>	<u>-92.2%</u>
Closing Fund Balance	<u>1,787</u>	<u>1,819</u>	<u>32</u>	<u>1.8%</u>
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

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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

	<u>FY 2013</u> <u>Enacted</u>	<u>FY 2014</u> <u>Projected</u>	<u>FY 2015</u> <u>Projected</u>	<u>FY 2016</u> <u>Projected</u>
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	<u>58,900</u>	<u>61,505</u>	<u>61,919</u>	<u>64,360</u>
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	<u>58,868</u>	<u>62,393</u>	<u>65,216</u>	<u>68,372</u>
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	<u>32</u>	<u>62</u>	<u>118</u>	<u>118</u>
Excess (Deficiency) of Receipts Over Disbursements and Reserves				
	<u>0</u>	<u>(950)</u>	<u>(3,415)</u>	<u>(4,130)</u>

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

**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	<u>47,702</u>	<u>50,930</u>	<u>53,120</u>	<u>55,044</u>
State/City Offset	(298)	(198)	(148)	(148)
Refunds	(7,148)	(7,559)	(8,633)	(9,085)
Reported Tax Collections	<u>40,256</u>	<u>43,173</u>	<u>44,339</u>	<u>45,811</u>
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	<u>26,916</u>	<u>28,920</u>	<u>29,612</u>	<u>30,614</u>
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
Highway Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Utility Taxes and Fees	<u>12,124</u>	<u>12,599</u>	<u>13,154</u>	<u>13,642</u>
LGAC Sales Tax (Dedicated Transfers)	(2,853)	(2,973)	(3,112)	(3,236)
User Taxes and Fees	<u>9,271</u>	<u>9,626</u>	<u>10,042</u>	<u>10,406</u>
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	<u>6,038</u>	<u>6,208</u>	<u>5,713</u>	<u>6,291</u>
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	<u>1,804</u>	<u>1,847</u>	<u>2,002</u>	<u>2,077</u>
Real Estate Transfer Tax (Dedicated)	(660)	(710)	(780)	(855)
Other Taxes	<u>1,144</u>	<u>1,137</u>	<u>1,222</u>	<u>1,222</u>
Payroll Tax	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Taxes	<u>43,369</u>	<u>45,891</u>	<u>46,589</u>	<u>48,533</u>
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	<u>3,229</u>	<u>2,829</u>	<u>2,297</u>	<u>2,389</u>
Federal Grants	<u>60</u>	<u>2</u>	<u>0</u>	<u>0</u>
Total	<u>46,658</u>	<u>48,722</u>	<u>48,886</u>	<u>50,922</u>

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>State Operating Funds Total</u>
Opening Fund Balance	<u>1,787</u>	<u>1,632</u>	<u>428</u>	<u>3,847</u>
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	<u>46,658</u>	<u>23,850</u>	<u>14,533</u>	<u>85,041</u>
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	<u>51,784</u>	<u>31,024</u>	<u>6,111</u>	<u>88,919</u>
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)	<u>5,158</u>	<u>7,256</u>	<u>(8,287)</u>	<u>4,127</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	<u>32</u>	<u>82</u>	<u>135</u>	<u>249</u>
Closing Fund Balance	<u>1,819</u>	<u>1,714</u>	<u>563</u>	<u>4,096</u>

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

**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

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>State Operating Funds Total</u>
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	<u>48,886</u>	<u>25,473</u>	<u>16,031</u>	<u>90,390</u>
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	<u>55,624</u>	<u>34,149</u>	<u>6,569</u>	<u>96,342</u>
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)	<u>3,441</u>	<u>9,058</u>	<u>(9,326)</u>	<u>3,173</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses				
	<u>(3,297)</u>	<u>382</u>	<u>136</u>	<u>(2,779)</u>
Designated General Fund Reserves:				
Prior-Year Labor Agreements (2007-2011)	118			
Increase (Decrease) in Reserves	<u>118</u>			
Net General Fund Deficit	<u>(3,415)</u>			

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>State Operating Funds Total</u>
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	<u>50,922</u>	<u>25,902</u>	<u>16,596</u>	<u>93,420</u>
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	<u>58,519</u>	<u>34,734</u>	<u>6,702</u>	<u>99,955</u>
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)	<u>3,585</u>	<u>9,284</u>	<u>(9,888)</u>	<u>2,981</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses				
	<u>(4,012)</u>	<u>452</u>	<u>6</u>	<u>(3,554)</u>
Designated General Fund Reserves:				
Prior-Year Labor Agreements (2007-2011)	118			
Increase (Decrease) in Reserves	<u>118</u>			
Net General Fund Deficit	<u>(4,130)</u>			

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>All Funds Total</u>
Opening Fund Balance	<u>1,787</u>	<u>1,594</u>	<u>(449)</u>	<u>428</u>	<u>3,360</u>
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	<u>46,658</u>	<u>64,338</u>	<u>7,743</u>	<u>14,533</u>	<u>133,272</u>
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	<u>51,784</u>	<u>67,527</u>	<u>7,971</u>	<u>6,111</u>	<u>133,393</u>
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)	<u>5,158</u>	<u>3,273</u>	<u>249</u>	<u>(8,287)</u>	<u>393</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	<u>32</u>	<u>84</u>	<u>21</u>	<u>135</u>	<u>272</u>
Closing Fund Balance	<u>1,819</u>	<u>1,678</u>	<u>(428)</u>	<u>563</u>	<u>3,632</u>

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

**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

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>All Funds Total</u>
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	<u>48,886</u>	<u>70,861</u>	<u>7,281</u>	<u>16,031</u>	<u>143,059</u>
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	<u>55,624</u>	<u>76,358</u>	<u>7,544</u>	<u>6,569</u>	<u>146,095</u>
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)	<u>3,441</u>	<u>5,879</u>	<u>258</u>	<u>(9,326)</u>	<u>252</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses					
	<u>(3,297)</u>	<u>382</u>	<u>(5)</u>	<u>136</u>	<u>(2,784)</u>
Designated General Fund Reserves:					
Prior-Year Labor Agreements (2007-2011)	118				
Increase (Decrease) in Reserves	<u>118</u>				
Net General Fund Deficit	<u>(3,415)</u>				

Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>All Funds Total</u>
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	<u>50,922</u>	<u>73,378</u>	<u>6,959</u>	<u>16,596</u>	<u>147,855</u>
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	<u>58,519</u>	<u>79,336</u>	<u>6,947</u>	<u>6,702</u>	<u>151,504</u>
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)	<u>3,585</u>	<u>6,409</u>	<u>(45)</u>	<u>(9,888)</u>	<u>61</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses					
	<u>(4,012)</u>	<u>451</u>	<u>(33)</u>	<u>6</u>	<u>(3,588)</u>
Designated General Fund Reserves:					
Prior-Year Labor Agreements (2007-2011)	118				
Increase (Decrease) in Reserves	<u>118</u>				
Net General Fund Deficit	<u>(4,130)</u>				

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

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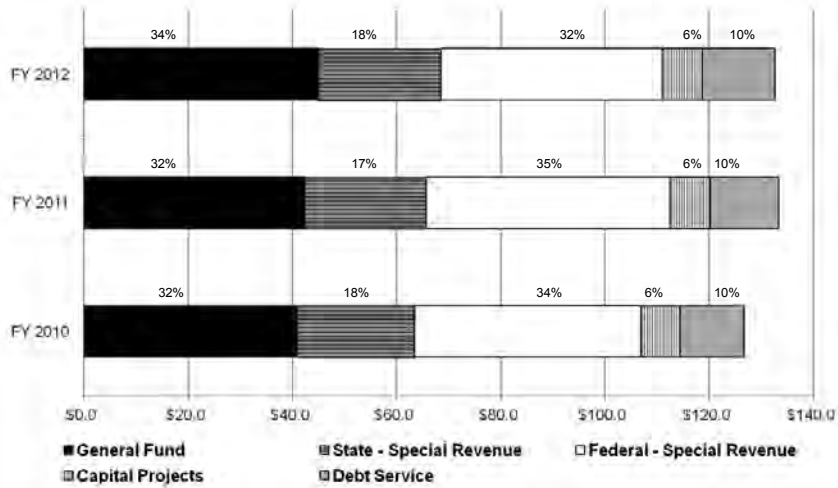
Source: NYS DOB

FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2013 THROUGH 2016

PRIOR FISCAL YEARS

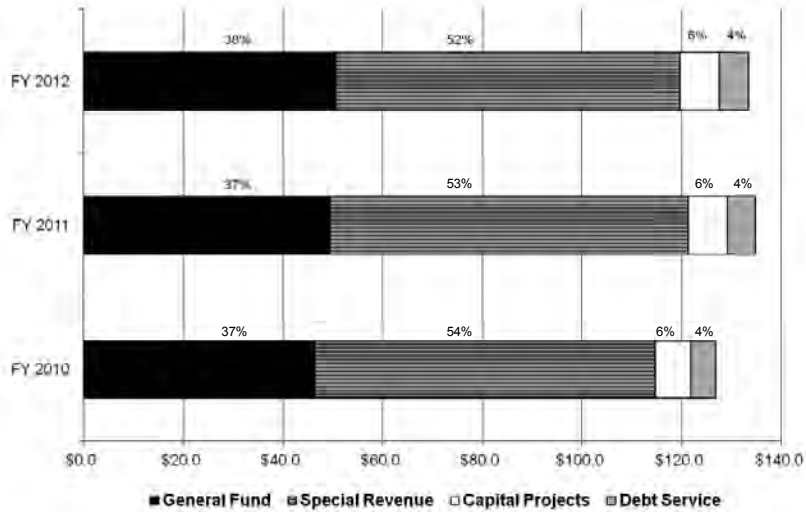
The following six tables show the composition of the State's governmental funds, State Operating Funds and the General Fund as of March 31, 2012. Following the tables is a summary of the cash-basis results for the State's three most recent fiscal years.

Governmental Funds Receipts
State Fiscal Years 2010, 2011 and 2012
 (billions of dollars)



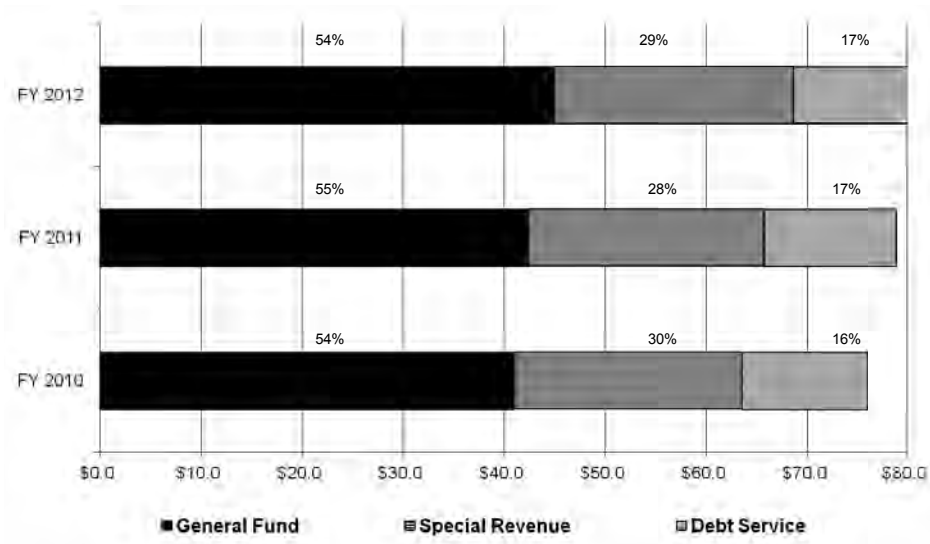
Note: Percentage total may not add due to rounding.

Governmental Funds Disbursements
State Fiscal Years 2010, 2011 and 2012
 (billions of dollars)



Note: Percentage total may not add due to rounding.

State Operating Funds Receipts
State Fiscal Years 2010, 2011 and 2012
 (billions of dollars)



Note: Percentage total may not add due to rounding.

State Operating Funds Disbursements
State Fiscal Years 2010, 2011 and 2012
 (billions of dollars)



Note: Percentage total may not add due to rounding.

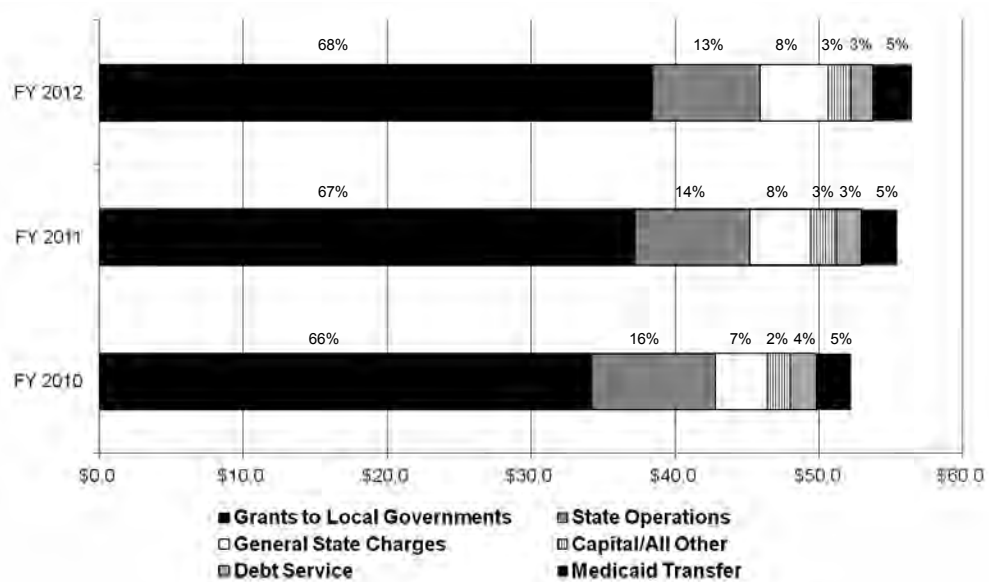
PRIOR FISCAL YEARS

General Fund Receipts and Transfers by Source
State Fiscal Years 2010, 2011 and 2012
 (billions of dollars)



Note: Percentage total may not add due to rounding.

General Fund Disbursements and Transfers by Type
State Fiscal Years 2010, 2011 and 2012
 (billions of dollars)



Note: Percentage total may not add due to rounding.

The State reports its financial results on two bases of accounting: the cash basis, showing receipts and disbursements; and the modified accrual basis, prescribed by GAAP, showing revenues and expenditures. With the exception of FY 2012 financial results, the State's GAAP-basis financial results set forth in this section have been audited. Note that the FY 2012 financial results included in this AIS are preliminary and unaudited.

CASH-BASIS RESULTS FOR PRIOR FISCAL YEARS

GENERAL FUND FY 2010 THROUGH FY 2012

The General Fund is the principal operating fund of the State and is used to account for all financial transactions, except those required by law to be accounted for in another fund. It is the State's largest single fund and receives most State taxes and other resources not dedicated to particular purposes. General Fund monies are also transferred to other funds, primarily to support certain State share Medicaid payments, capital projects and debt service payments in other fund types. In some cases, the fiscal year results provided below may exclude certain timing-related transactions which have no net impact on operations.

In the cash basis of accounting, the State defines a balanced budget in the General Fund as (a) the ability to make all planned payments anticipated in the Financial Plan, including tax refunds, without the issuance of deficit bonds or notes or extraordinary cash management actions, (b) the restoration of the balances in the Tax Stabilization Reserve and Rainy Day Reserve (together, the "rainy day reserves") to a level equal to or greater than the level at the start of the fiscal year, and (c) maintenance of other designated balances, as required by law.

RECENT TRENDS

The economic downturn that began in 2008 had a severe impact on State finances. Actual receipts have been slow to recover, while fixed costs for debt service and fringe benefits have risen steadily, and demand for State services has grown. In FY 2010, the State was required to take extraordinary actions to maintain balanced operations and sufficient liquidity, including enacting mid-year reductions to programs, instituting several rounds of agency spending reductions and deferring payments to local aid recipients and taxpayers. To avoid using its rainy day reserves, which are relied on during the fiscal year to provide liquidity, the State managed the timing of payments across fiscal years, including deferring payments not yet legally due from one fiscal year to the next fiscal year.

The level of General Fund spending in recent years has been affected by the receipt of Federal ARRA funding, which has substantially reduced the costs of Medicaid and School Aid in the General Fund. The following table summarizes General Fund results for the prior three fiscal years.

PRIOR FISCAL YEARS

**COMPARISON OF ACTUAL GENERAL FUND RECEIPTS AND DISBURSEMENTS
FY 2010 THROUGH FY 2012
(millions of dollars)**

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
OPENING FUND BALANCE (1)	1,949	2,302	1,376
Personal Income Tax (1) (2)	22,655	23,894	25,843
User Taxes and Fees: (3)			
Sales and Use Tax (4)	7,405	8,085	8,346
Cigarette and Tobacco Tax	456	480	471
Alcoholic Beverage Taxes (3)	225	230	238
Subtotal	<u>8,086</u>	<u>8,795</u>	<u>9,055</u>
Business Taxes:			
Corporation Franchise Tax	2,145	2,472	2,724
Corporation and Utilities Taxes	722	616	618
Insurance Taxes	1,331	1,217	1,257
Bank Tax	1,173	974	1,161
Subtotal	<u>5,371</u>	<u>5,279</u>	<u>5,760</u>
Other Taxes:			
Estate and Gift Taxes	866	1,219	1,078
Real Property Gains Tax	0	0	0
Pari-mutuel Tax	19	17	17
Other Taxes	1	1	1
Subtotal	<u>886</u>	<u>1,237</u>	<u>1,096</u>
Miscellaneous Receipts & Federal Grants (3)	3,958	3,149	3,222
Transfers from Other Funds:			
PIT in excess of Revenue Bond debt service	7,641	7,625	8,097
Sales Tax in Excess of LGAC Debt Service	2,123	2,351	2,396
All Other Transfers	1,836	2,117	1,431
Subtotal	<u>11,600</u>	<u>12,093</u>	<u>11,924</u>
TOTAL RECEIPTS	<u>52,556</u>	<u>54,447</u>	<u>56,900</u>
Grants to Local Governments	34,234	37,206	38,419
State Operations:			
Personal Service	6,611	6,151	5,781
Non-Personal Service	1,977	1,822	1,713
General State Charges	3,594	4,187	4,720
Transfers to Other Funds:			
In Support of Debt Service	1,844	1,737	1,516
In Support of Capital Projects	565	932	798
State Share Medicaid	2,400	2,497	2,722
All Other Transfers	978	841	820
Subtotal	<u>5,787</u>	<u>6,007</u>	<u>5,856</u>
TOTAL DISBURSEMENTS	<u>52,203</u>	<u>55,373</u>	<u>56,489</u>
Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	<u>353</u>	<u>(926)</u>	<u>411</u>
CLOSING FUND BALANCE	<u>2,302</u>	<u>1,376</u>	<u>1,787</u>

Source: NYS Office of State Comptroller.

(1) The opening balances and personal income tax receipts have been adjusted to reflect the inclusion of the Personal Income Tax Refund Reserve in the General Fund.

(2) Excludes personal income tax receipts that flow into the Revenue Bond Tax Fund in the first instance and are then transferred to the General Fund after debt service obligation is satisfied.

(3) Motor vehicle fees and alcoholic beverage control licenses fees were reclassified from "user taxes and fees" to "miscellaneous receipts" beginning in fiscal year 2009-10.

(4) Excludes sales tax in excess of LGAC Debt Service.

FISCAL YEAR 2012

The State ended FY 2012 in balance on a cash basis in the General Fund, and maintained a closing balance of \$1.79 billion, consisting 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, \$283 million reserved for potential retroactive labor settlements, and \$75 million in an undesignated fund balance. The FY 2012 closing balance was \$411 million greater than the FY 2011 closing balance, which largely reflects actions to establish designated resources that can be used to address costs associated with potential retroactive labor agreements, and to build the State's general emergency reserve fund balances. The State made a \$100 million deposit to the Tax Stabilization Reserve at the close of the FY 2012 fiscal year, the first deposit to the State's "rainy day" reserves (including the Tax Stabilization Reserve fund and the Rainy Day Reserve fund) since FY 2008.

General Fund receipts, including transfers from other funds, totaled \$56.9 billion in FY 2012. Total receipts during FY 2012 were \$2.5 billion (4.5 percent) higher than in the prior fiscal year. Total tax receipts were \$3.1 billion higher than the previous fiscal year, mainly due to growth in PIT collections (\$2.4 billion) and business tax collections (\$481 million). A decrease in the level of excess balances transferred from other funds partly offset the annual increase in tax receipts.

General Fund disbursements, including transfers to other funds, totaled \$56.5 billion in FY 2012, \$1.1 billion (2.0 percent) higher than in the prior fiscal year. Excluding the impact of a \$2.1 billion school aid deferral from March 2010 to the statutory deadline of June 2010, annual spending grew by \$3.2 billion. Spending growth is largely due to the phase-out of extraordinary Federal aid (including the enhanced Federal share of Medicaid, Federal ARRA Stabilization funding, and the TANF Emergency Contingency Fund) that temporarily reduced State-share spending in FY 2011. Annual General Fund spending for agency operations in FY 2012 was lower than in FY 2011, consistent with management expectations and continued efforts in managing the workforce and controlling costs. Annual growth in GSCs was mainly due to employee fringe benefit costs and workers' compensation payments; the prepayment of pension costs during the final quarter of FY 2012; and lower reimbursement from non-General Funds.

FISCAL YEAR 2011

The State ended FY 2011 in balance on a cash basis in the General Fund. The General Fund ended FY 2011 with a closing balance of \$1.38 billion, consisting of \$1.0 billion in the Tax Stabilization Reserve, \$175 million in the Rainy Day Reserve, \$136 million in the Community Projects Fund, \$21 million in the Contingency Reserve, and \$13 million in an undesignated fund balance. The closing balance was \$928 million lower than FY 2010. This reflected the planned use of a fund balance to pay for expenses deferred from FY 2010 into FY 2011.

General Fund receipts, including transfers from other funds, totaled \$54.4 billion in FY 2011. Total receipts during FY 2011 were \$1.9 billion (3.6 percent) higher than in the prior fiscal year. Total tax receipts were \$2.5 billion higher, mainly due to the growth in PIT collections, sales tax, estate taxes, and the real estate transfer tax, resulting from changes to the law as well as the economic recovery. Non-tax revenue was \$631 million below the prior year. This was primarily due to the following FY 2010 collections that were not received, or received in lower amounts, in FY 2011: temporary utility surcharge (18-A assessment) (\$429 million); the Power Authority resources (\$158 million); Energy Research and Development Authority (ERDA) resources (\$90 million); and fine collections (\$101 million). An increase in the level of excess balances transferred from other funds partly offset the annual decline in miscellaneous receipts.

PRIOR FISCAL YEARS

General Fund disbursements, including transfers to other funds, totaled \$55.4 billion in FY 2011. Disbursements in FY 2011 were \$3.2 billion (6.1 percent) higher than in the prior fiscal year. Spending growth was affected by the deferral of a \$2.06 billion payment to schools from March 2010 to the statutory deadline of June 2010. Adjusting for this anomaly (that is, reducing FY 2011 results by \$2.06 billion and increasing FY 2010 results by an equal amount), spending would have been approximately \$950 million below FY 2010 levels.

Local assistance spending, adjusted for the School Aid deferral, declined by approximately \$1.1 billion compared to FY 2010. This reflected lower levels of general School Aid spending enacted in the FY 2011 Budget; the delay of a \$300 million CUNY Senior College payment from FY 2009 to June of FY 2010, which increased FY 2010 spending relative to FY 2011; the elimination, as part of the FY 2011 gap-closing plan, of approximately \$300 million in annual AIM funding for New York City that would have been paid by December 2010; and additional Federal funding for public assistance benefit costs and State and local child welfare shares in FY 2011, which reduced General Fund spending. These declines were partly offset by higher Medicaid spending due to rising costs of providing Medicaid services and reductions in the amount of available offsets from HCRA related to Indigent Care.

The annual change in personal service spending is mainly due to the payment of \$270 million in retroactive salary settlements for employees represented by NYSCOPBA, the Police Benevolent Association (PBA) and the New York State Police Investigators Association (BCI) in FY 2010 and reductions across nearly all agencies. Non-personal service spending was lower by \$155 million (7.8 percent) compared to the prior year, mainly reflecting the impact of spending controls.

Growth in GSCs spending was attributable to the increase in State contributions to the pension system and increased health insurance costs. Pension costs increased by \$315 million in FY 2011, after the amortization of \$249 million in costs. Health insurance costs increased by \$374 million. Transfers increased mainly for capital projects and the State share of Medicaid costs related to mental hygiene programs.

FISCAL YEAR 2010

Receipts during the fiscal year fell substantially below projections. General Fund receipts, including transfers from other funds, totaled \$52.6 billion, or \$1.78 billion lower than the State's initial projections for FY 2010. General Fund disbursements, including transfers to other funds, totaled \$52.2 billion, a decrease of \$2.71 billion from initial projections. However, actual disbursements were affected by \$2.1 billion in payment deferrals (described below) taken by the State to end the fiscal year without the use of its rainy day reserves and other designated balances. Without the deferrals, disbursements for the fiscal year would have been approximately \$665 million below initial projections.

In the final quarter of the fiscal year, in order to avoid depleting its reserves, the State deferred a planned payment to school districts (\$2.1 billion), which reduced spending from planned levels, and certain tax refunds, which increased available receipts from planned levels (\$500 million). Both the school aid payment and the tax refunds were scheduled to be paid in FY 2010 but, by statute, were not due until June 1, 2010. The combined value of the deferrals had the effect of increasing the closing balance in the General Fund for FY 2010 to \$2.3 billion, or approximately \$900 million above the level required to restore the rainy day reserves and other balances to their anticipated levels. The higher closing balance was due exclusively to the cash management actions described above and did not represent an improvement in the State's financial operations. In early April 2010, the State paid the \$500

million in tax refunds that had been deferred from FY 2010 to FY 2011. On June 1, 2010, the State paid the \$2.1 billion in school aid deferred from FY 2010.

General Fund receipts, including transfers from other funds, were \$1.2 billion below FY 2009 results. Tax receipts decreased by \$1.2 billion and transfers decreased by \$750 million, partly offset by increased miscellaneous receipts of \$744 million. The \$1.2 billion annual decline in tax receipts included a \$541 million decline in personal income taxes and a \$302 million decline in sales and use tax receipts.

General Fund disbursements, including transfers to other funds, were \$2.4 billion below FY 2009 results. The annual decline reflects the deferral of \$2.1 billion in school aid, the impact of mid-year spending reductions, and the use of ARRA funds in place of General Fund spending.

The General Fund closing balance consisted of \$1.2 billion in the State's rainy day reserves, \$21 million in the State's general contingency reserve fund (to guard against litigation risks), \$96 million in the Community Projects Fund, and \$978 million in the Refund Reserve Account, of which approximately \$900 million was attributable to the deferrals described above.

STATE OPERATING FUNDS FY 2010 THROUGH FY 2012

State Operating Funds is composed of the General Fund, State special revenue funds and debt service funds. The State Operating Funds perspective is primarily intended as a measure of State-financed spending.

Recent Trends

Similar to the General Fund, spending levels in State Operating Funds recent years have also been substantially affected by the State's receipt of Federal ARRA funds. ARRA funding has temporarily reduced the State's share of expenses for Medicaid, education, and other governmental services. This has temporarily lowered State Operating Funds spending in recent fiscal years, and resulted in a corresponding increase in spending from Federal funds (see the discussion of All Funds below).

FISCAL YEAR 2012

State Operating Funds receipts totaled \$82.6 billion in FY 2012, an increase of \$3.8 billion over the FY 2011 results. Disbursements totaled \$87.2 billion in FY 2012, an increase of 2.8 billion from the FY 2011 results. The State ended FY 2012 with a State Operating Funds cash balance of \$3.8 billion. In addition to the \$1.8 billion General Fund balance described above, the State's special revenue funds had a closing balance of \$1.6 billion and the debt service funds had a closing balance of \$428 million. The remaining special revenue fund balances are held in numerous funds and accounts that support a variety of programs including industry regulation, public health, and public safety. The fund balance in the debt service funds reflects the preservation of monies needed for debt service payments to bond holders.

FISCAL YEAR 2011

State Operating Funds receipts totaled \$78.8 billion in FY 2011, an increase of \$2.9 billion over the FY 2010 results. Disbursements totaled \$84.4 billion in FY 2011, an increase of \$3.8 billion from the FY 2010 results. The State ended FY 2011 with a State Operating Funds cash balance of \$4.0 billion. In addition to the \$1.4 billion General Fund balance described above, the State's special revenue funds had a closing balance of \$2.1 billion and the debt service funds had a closing balance of \$453 million. The fund

PRIOR FISCAL YEARS

balance in the special revenue funds largely reflects the timing of receipts and disbursements (e.g. dedicated monies received for a specified purpose prior to disbursement). A large fund balance is dedicated to finance the operations and activities of SUNY campuses and hospitals (\$651 million). The remaining special revenue fund balances are held in numerous funds and accounts that support a variety of programs including industry regulation, public health, and public safety. The fund balance in the debt service funds reflects the preservation of monies needed for debt service payments to bond holders.

FISCAL YEAR 2010

State Operating Funds receipts totaled \$75.8 billion in FY 2010, an increase of \$611 million over the FY 2009 results. Disbursements totaled \$80.7 billion in FY 2010, a decrease of \$966 million from the FY 2009 results. The State ended FY 2010 with a State Operating Funds cash balance of \$4.8 billion. In addition to the \$2.3 billion General Fund balance described above, the State's special revenue funds had a closing balance of \$2.1 billion and the debt service funds had a closing balance of \$411 million. The fund balance in the special revenue funds largely reflects the timing of receipts and disbursements (e.g. dedicated monies received for a specified purpose prior to disbursement). A large fund balance is dedicated to finance the operations and activities of SUNY campuses and hospitals (\$774 million). The remaining special revenue fund balances are held in numerous funds and accounts that support a variety of programs including industry regulation, public health, and public safety. The fund balance in the debt service funds reflects the preservation of monies needed for debt service payments to bond holders.

ALL FUNDS FY 2010 THROUGH FY 2012

The All Funds Financial Plan records the operations of the four governmental fund types: the General Fund, special revenue funds, capital projects funds, and debt service funds. It is the broadest measure of State governmental activity, and includes spending from Federal funds and capital projects funds.

RECENT TRENDS

The All Funds Financial Plan has grown faster than State Operating Funds in recent years. The growth includes nearly \$2.9 billion in ARRA "pass-through" spending, which is Federal stimulus money that is accounted for in the State's fund structure but does not provide a direct fiscal benefit to the State (i.e., resources to help balance the General Fund budget).

FISCAL YEAR 2012

All Funds receipts for FY 2012 totaled \$132.7 billion, a decrease of \$577 million over FY 2011 results. Annual growth in tax receipts and miscellaneous receipts was more than offset by a decline in Federal grants. All Funds disbursements for FY 2012 totaled \$133.5 billion, a decrease of \$1.3 billion over FY 2011 results. The annual changes largely reflect the impact of Federal ARRA aid.

The State ended FY 2012 with an All Funds cash balance of \$3.4 billion. The \$3.8 billion State Operating Funds balance described above was partly offset by a negative capital project funds closing balance of roughly \$449 million. The negative balance in the capital projects fund results from outstanding intra-year loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

FISCAL YEAR 2011

All Funds receipts for FY 2011 totaled \$133.3 billion, an increase of \$6.7 billion over FY 2010 results. Annual growth in Federal grants and tax receipts was partially offset by a decline in miscellaneous receipts. All Funds disbursements for FY 2011 totaled \$134.8 billion, an increase of \$7.9 billion over FY 2010 results. The annual change reflects growth due to ARRA “pass-through” and growth in capital spending and debt service, as well as the \$2.1 billion school aid deferral from FY 2010.

The State ended the FY 2011 fiscal year with an All Funds cash balance of \$3.8 billion. The \$4.0 billion State Operating Funds balance described above was partly offset by a negative capital project funds closing balance of roughly \$168 million. The negative balance in the capital projects fund results from outstanding intra-year loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

FISCAL YEAR 2010

All Funds receipts for FY 2010 totaled \$126.7 billion, an increase of \$7.5 billion over FY 2009 results. Annual growth in Federal grants and miscellaneous receipts was partially offset by a decline in tax receipts. All Funds disbursements for FY 2010 totaled \$126.9 billion, an increase of \$5.3 billion over FY 2009 results. The annual change reflects growth due to ARRA “pass-through” and growth in School Aid, Medicaid, transportation aid, economic development aid and other State programs.

The State ended the FY 2010 fiscal year with an All Funds cash balance of \$4.9 billion. Along with the \$4.8 billion State Operating Funds balance described above, Federal operating funds had a closing balance of \$456 million, partly offset by a negative capital project funds closing balance of roughly \$254 million. The fund balance in the Federal operating funds partly reflects the timing of receipts and disbursements (e.g. dedicated monies received for a specified purpose prior to disbursement). The negative balance in the capital projects fund results from outstanding intra-year loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

PRIOR FISCAL YEARS

**CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2010
(millions of dollars)**

	General Fund	Special Revenue Funds	Debt Service Funds	Total
Opening fund balance	1,949	2,630	298	4,877
Receipts:				
Taxes	36,997	7,802	11,448	56,247
Miscellaneous receipts	3,888	14,654	974	19,516
Federal grants	71	0	13	84
Total receipts	40,956	22,456	12,435	75,847
Disbursements:				
Grants to local governments	34,234	18,089	0	52,323
State operations:				
Personal Service	6,611	6,138	0	12,749
Non-Personal Service	1,977	3,087	51	5,115
General State charges	3,594	1,907	0	5,501
Debt service	0	0	4,961	4,961
Capital projects	0	11	0	11
Total disbursements	46,416	29,232	5,012	80,660
Other financing sources (uses):				
Transfers from other funds	11,600	7,935	6,646	26,181
Transfers to other funds	(5,787)	(1,691)	(13,956)	(21,434)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	5,813	6,244	(7,310)	4,747
Change in fund balance	353	(532)	113	(66)
Closing fund balance	2,302	2,098	411	4,811

Source: NYS OSC (reflecting amounts published in the Cash Basis Report).

**CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2011
(millions of dollars)**

	General Fund	Special Revenue Funds	Debt Service Funds	Total
Opening fund balance	2,302	2,098	411	4,811
Receipts:				
Taxes	39,205	8,117	12,210	59,532
Miscellaneous receipts	3,095	15,154	900	19,149
Federal grants	54	0	57	111
Total receipts	<u>42,354</u>	<u>23,271</u>	<u>13,167</u>	<u>78,792</u>
Disbursements:				
Grants to local governments	37,206	18,089	0	55,295
State operations:				
Personal Service	6,151	6,271	0	12,422
Non-Personal Service	1,822	3,081	63	4,966
General State charges	4,187	1,915	0	6,102
Debt service	0	0	5,615	5,615
Capital projects	0	18	0	18
Total disbursements	<u>49,366</u>	<u>29,374</u>	<u>5,678</u>	<u>84,418</u>
Other financing sources (uses):				
Transfers from other funds	12,093	8,077	7,048	27,218
Transfers to other funds	(6,007)	(1,933)	(14,494)	(22,434)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>6,086</u>	<u>6,144</u>	<u>(7,446)</u>	<u>4,784</u>
Change in fund balance	<u>(926)</u>	<u>41</u>	<u>43</u>	<u>(842)</u>
Closing fund balance	<u>1,376</u>	<u>2,139</u>	<u>454</u>	<u>3,969</u>

Source: NYS OSC (reflecting amounts published in the Cash Basis Report).

PRIOR FISCAL YEARS

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

	General Fund	Special Revenue Funds	Debt Service Funds	Total
Opening fund balance	<u>1,376</u>	<u>2,139</u>	<u>454</u>	<u>3,969</u>
Receipts:				
Taxes	41,754	8,244	12,962	62,960
Miscellaneous receipts	3,162	15,399	955	19,516
Federal grants	<u>60</u>	<u>0</u>	<u>80</u>	<u>140</u>
Total receipts	<u>44,976</u>	<u>23,643</u>	<u>13,997</u>	<u>82,616</u>
Disbursements:				
Grants to local governments	38,419	18,848	0	57,267
State operations:				
Personal Service	5,781	6,266	0	12,047
Non-Personal Service	1,713	3,646	45	5,404
General State charges	4,720	1,873	0	6,593
Debt service	0	0	5,864	5,864
Capital projects	<u>0</u>	<u>6</u>	<u>0</u>	<u>6</u>
Total disbursements	<u>50,633</u>	<u>30,639</u>	<u>5,909</u>	<u>87,181</u>
Other financing sources (uses):				
Transfers from other funds	11,924	7,096	6,490	25,510
Transfers to other funds	(5,856)	(607)	(14,604)	(21,067)
Bond and note proceeds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net other financing sources (uses)	<u>6,068</u>	<u>6,489</u>	<u>(8,114)</u>	<u>4,443</u>
Change in fund balance	<u>411</u>	<u>(507)</u>	<u>(26)</u>	<u>(122)</u>
Closing fund balance	<u>1,787</u>	<u>1,632</u>	<u>428</u>	<u>3,847</u>

Source: NYS OSC (reflecting amounts published in the Cash Basis Report).

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2010
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Opening fund balance	1,949	2,846	(507)	298	4,586
Receipts:					
Taxes	36,997	7,801	1,422	11,448	57,668
Miscellaneous receipts	3,888	14,812	3,882	974	23,556
Federal grants	71	43,379	2,061	13	45,524
Total receipts	<u>40,956</u>	<u>65,992</u>	<u>7,365</u>	<u>12,435</u>	<u>126,748</u>
Disbursements:					
Grants to local governments	34,234	55,395	1,910	0	91,539
State operations:					
Personal Service	6,611	6,794	0	0	13,405
Non-Personal Service	1,977	3,998	0	51	6,026
General State charges	3,594	2,140	0	0	5,734
Debt service	0	0	0	4,961	4,961
Capital projects	0	11	5,202	0	5,213
Total disbursements	<u>46,416</u>	<u>68,338</u>	<u>7,112</u>	<u>5,012</u>	<u>126,878</u>
Other financing sources (uses):					
Transfers from other funds	11,600	7,218	737	6,646	26,201
Transfers to other funds	(5,787)	(5,317)	(1,185)	(13,956)	(26,245)
Bond and note proceeds	0	0	448	0	448
Net other financing sources (uses)	<u>5,813</u>	<u>1,901</u>	<u>0</u>	<u>(7,310)</u>	<u>404</u>
Change in fund balance	<u>353</u>	<u>(445)</u>	<u>253</u>	<u>113</u>	<u>274</u>
Closing fund balance	<u>2,302</u>	<u>2,401</u>	<u>(254)</u>	<u>411</u>	<u>4,860</u>

Source: NYS OSC (reflecting amounts published in the Cash Basis Report).

PRIOR FISCAL YEARS

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2011
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Opening fund balance	2,302	2,401	(254)	411	4,860
Receipts:					
Taxes	39,205	8,117	1,339	12,210	60,871
Miscellaneous receipts	3,095	15,306	3,848	900	23,149
Federal grants	54	46,692	2,499	57	49,302
Total receipts	<u>42,354</u>	<u>70,115</u>	<u>7,686</u>	<u>13,167</u>	<u>133,322</u>
Disbursements:					
Grants to local governments	37,206	58,696	2,731	0	98,633
State operations:					
Personal Service	6,151	6,954	0	0	13,105
Non-Personal Service	1,822	4,094	0	63	5,979
General State charges	4,187	2,174	0	0	6,361
Debt service	0	0	0	5,615	5,615
Capital projects	0	19	5,113	0	5,132
Total disbursements	<u>49,366</u>	<u>71,937</u>	<u>7,844</u>	<u>5,678</u>	<u>134,825</u>
Other financing sources (uses):					
Transfers from other funds	12,093	7,334	1,130	7,048	27,605
Transfers to other funds	(6,007)	(5,764)	(1,410)	(14,494)	(27,675)
Bond and note proceeds	0	0	525	0	525
Net other financing sources (uses)	<u>6,086</u>	<u>1,570</u>	<u>245</u>	<u>(7,446)</u>	<u>455</u>
Change in fund balance	<u>(926)</u>	<u>(252)</u>	<u>87</u>	<u>43</u>	<u>(1,048)</u>
Closing fund balance	<u>1,376</u>	<u>2,149</u>	<u>(167)</u>	<u>454</u>	<u>3,812</u>

Source: NYS OSC (reflecting amounts published in the Cash Basis Report).

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
Opening fund balance	1,376	2,149	(167)	454	3,812
Receipts:					
Taxes	41,754	8,244	1,337	12,962	64,297
Miscellaneous receipts	3,162	15,565	4,155	955	23,837
Federal grants	60	42,356	2,115	80	44,611
Total receipts	<u>44,976</u>	<u>66,165</u>	<u>7,607</u>	<u>13,997</u>	<u>132,745</u>
Disbursements:					
Grants to local governments	38,419	55,496	2,566	0	96,481
State operations:					
Personal Service	5,781	6,899	0	0	12,680
Non-Personal Service	1,713	4,590	0	45	6,348
General State charges	4,720	2,135	0	0	6,855
Debt service	0	0	0	5,864	5,864
Capital projects	0	6	5,270	0	5,276
Total disbursements	<u>50,633</u>	<u>69,126</u>	<u>7,836</u>	<u>5,909</u>	<u>133,504</u>
Other financing sources (uses):					
Transfers from other funds	11,924	7,096	1,031	6,490	26,541
Transfers to other funds	(5,856)	(4,690)	(1,436)	(14,604)	(26,586)
Bond and note proceeds	0	0	352	0	352
Net other financing sources (uses)	<u>6,068</u>	<u>2,406</u>	<u>(53)</u>	<u>(8,114)</u>	<u>307</u>
Change in fund balance	<u>411</u>	<u>(555)</u>	<u>(282)</u>	<u>(26)</u>	<u>(452)</u>
Closing fund balance	<u>1,787</u>	<u>1,594</u>	<u>(449)</u>	<u>428</u>	<u>3,360</u>

Source: NYS OSC (reflecting amounts published in the Cash Basis Report as restated).

PRIOR FISCAL YEARS

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 expects to issue the Basic Financial Statements for FY 2012 in July 2012.

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

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

**Summary of Net Assets
(millions of dollars)**

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

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

ECONOMICS AND DEMOGRAPHICS

The demographic and statistical data in this section, which have been obtained from the sources indicated, do not represent all of the factors which may have a bearing on the State's fiscal and economic affairs. Further, such information requires economic and demographic analysis in order to assess its significance, and may be interpreted differently by individual experts. Note that DOB has chosen to provide economic and demographic analysis updated through the date of this AIS, although continuing disclosure requirements for this AIS require analysis only through March 31, 2012.

THE U.S. ECONOMY

The most recent data indicate that extreme winter weather may once again be having a significant impact on national economic activity, though this time in a more benevolent direction. First quarter construction, job growth, and car sales were all stronger than expected, with light vehicle sales reaching their highest levels since early 2008. However, even as auto spending rises to levels unseen since the start of the recession, other areas of household spending continue to show weakness. Unusually warm weather has had a depressing effect on the demand for heating, and the rising cost of oil and gasoline may be lowering demand for other energy-related goods. Moreover, income growth remains sluggish, despite an improving job market. Growth of 2.0 percent in real U.S. GDP is now projected for the first quarter of 2012, with the economy projected to grow 2.3 percent for all of 2012. These projections are well below long-term trend values.

An improved labor market is expected to help offset some of the pressure on household spending from higher energy prices. Monthly private sector job gains have averaged 200,000 for the seven months starting in September 2011. Moreover, the drag from public sector losses is diminishing as well, with the unemployment rate falling to 8.2 percent in March, the lowest since January 2009. On an annual average basis, DOB projects employment growth of 1.7 percent for 2012. Personal income is projected to rise 3.8 percent in 2012, with its largest component, wages, expected to rise 4.6 percent.

Energy price volatility continues to rage unabated, as markets react to supply risks stemming from Middle East tensions and the anticipation of significantly increased demand from emerging markets. The two benchmark prices that have the greatest impact on the prices of domestic petroleum products – West Texas Intermediate Crude (WTI) and London Brent – have been on the rise, with WTI flirting with its previous April 2011 peak and Brent surpassing it. Although both prices have since come down modestly, gasoline prices have also returned to their 2011 peaks, adding to both general inflationary pressures and the strain on household budgets. In large part, as a result of this, DOB projects inflation of 2.3 percent for 2012.

Although a definitive solution to the European sovereign debt crisis remains elusive, progress has been made. The European Central Bank's assumption of a more active role in protecting the banking system with the establishment of the long-term refinancing operation (LTRO) appears to be having a stabilizing influence on financial markets. The S&P 500 rose about 10 percent during the first quarter of this year over the prior quarter, while the 10-year Treasury approached 2.4 percent during the middle of March for the first time since October 2011 before backing off. Although financial markets can be expected to remain volatile, a more favorable outlook for economic growth and employment reaffirm DOB's outlook for monetary tightening to begin in the middle of 2013.

DOB's economic outlook continues to call for tepid but improving growth over the course of 2012. However, there are significant risks to this forecast. The euro-debt crisis continues; any unexpected

ECONOMICS AND DEMOGRAPHICS

development could yet result in widening risk spreads and a decline in equity markets. A longer and deeper European recession or significantly slower growth in emerging markets could have a negative impact on the demand for U.S. exports. If gasoline prices remain elevated for a sustained period, household spending growth could be lower than anticipated, since energy price growth acts as a virtual tax on household spending. A surge in foreclosures could impede the recovery in home prices, which could in turn delay the recovery in household net worth and also result in lower rates of household spending than projected. Alternatively, a stronger than expected recovery in the labor market could result in greater household spending than projected, while a milder recession in Europe and stronger global growth more generally could result in a faster pickup in the demand for U.S. exports.

Economic Indicators for the United States

	2008	2009	2010	2011	2012 ¹
Gross Domestic Product					
Nominal (\$ billions)	14,291.6	13,938.9	14,526.5	15,094.0	15,704.8
Percent Change	1.9	(2.5)	4.2	3.9	4.0
Real (\$ billions)	13,161.9	12,703.1	13,088.0	13,315.1	13,618.3
Percent Change	(0.3)	(3.5)	3.0	1.7	2.3
Personal Income					
(\$ billions)	12,460.2	11,930.2	12,373.6	13,005.3	13,495.8
Percent Change	4.6	(4.3)	3.7	5.1	3.8
Nonagricultural Employment					
(millions)	136.8	130.8	129.9	131.4	133.6
Percent Change	(0.6)	(4.4)	(0.7)	1.2	1.7
Unemployment Rate (%)	5.8	9.3	9.6	9.0	8.1
Consumer Price Index					
(1982-84=100)	215.3	214.6	218.1	224.9	230.2
Percent Change	3.8	(0.3)	1.6	3.1	2.3

Sources: US Department of Commerce, Bureau of Economic Analysis; US Department of Labor, Bureau of Labor Statistics. Table reflects revisions by source agencies to figures for prior years.

¹As projected by the NYS DOB, based on National Income and Product Account data through March 2012.

THE NEW YORK ECONOMY

The most recent data indicate that the pace of New York employment growth remains healthy. Private sector employment growth of 1.5 percent is now projected for 2012, following growth of 2.0 percent for 2011. Total employment growth of 1.1 percent is projected for this year, following growth of 1.2 percent for 2011. Consistent with a strong job market, State wage growth of 3.1 percent is expected for 2012, with growth in total personal income projected at 3.4 percent. Although these growth rates represent an improving outlook, they remain substantially below historical averages.

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 firms still adjusting their compensation practices in the wake of the passage of financial reform, both the bonus and non-bonus

components of employee pay are becoming increasingly difficult to estimate. A weaker labor market than projected 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. These effects could ripple through the State economy, depressing both employment and wage growth. In contrast, stronger national and world economic growth, or a stronger upturn in stock prices, along with even stronger activity in mergers and acquisitions and other Wall Street activities, could result in higher wage and bonus growth than projected.

Economic Indicators for New York State

	2008	2009	2010	2011	2012 ¹
Personal Income (\$ billions)	949.3	904.0	942.5	983.9	1,017.1
Percent Change	3.7	(4.8)	4.3	4.4	3.4
Nonagricultural Employment (thousands)	8,573.7	8,312.0	8,318.7	8,417.3	8,512.2
Percent Change	0.5	(3.1)	0.1	1.2	1.1
Unemployment Rate (%)	5.4	8.3	8.6	8.2	8.0

Sources: US Department of Commerce, Bureau of Economic Analysis; NYS Department of Labor. Table reflects revisions by source agencies to data for prior years.

¹As projected by Division of the Budget, based on National Income and Product Account data and employment data available through March 2012.

New York is the third most populous state in the nation and has a relatively high level of personal wealth. The State’s economy is diverse, with a comparatively large share of the nation’s financial activities, information, education, and health services employment, and a very small share of the nation’s farming and mining activity. The State’s location and its air transport facilities and natural harbors have made it an important link in international commerce. Travel and tourism constitute an important part of the economy. Like the rest of the nation, New York has a declining proportion of its workforce engaged in manufacturing, and an increasing proportion engaged in service industries. In 2003, Federal and state governments began reporting employment and wage statistics in accordance with the North American Industry Classification System (NAICS).

Manufacturing: Manufacturing employment continues to decline as a share of total State employment, as in most other states, and as a result New York’s economy is less reliant on this sector than in the past. However, it remains an important sector of the State economy, particularly for the upstate region, which hosts high concentrations of manufacturers of transportation and other types of equipment.

Trade, Transportation, and Utilities: As defined under NAICS, the trade, transportation, and utilities supersector accounts for the third largest component of State nonagricultural employment, but only the fifth largest when measured by wage share. This sector accounts for less employment and wages for the State than for the nation as a whole.

ECONOMICS AND DEMOGRAPHICS

Financial Activities: New York City is the nation's leading center of banking and finance and, as a result, this is a far more important sector in the State than in the nation as a whole. Although this sector accounts for under one-tenth of all nonagricultural jobs in the State, it contributes more than one-fifth of total wages.

Other Service Sectors: The remaining service-producing sectors include information, professional and business services, private education and healthcare, leisure and hospitality services, and other services. These industries combined account for almost half of all nonagricultural jobs in New York. Information, education and health, and other services account for a higher proportion of total State employment than for the nation as a whole.

Agriculture: Farming is an important part of the economy in rural areas, although it constitutes only about 0.2 percent of total State output. Principal agricultural products of the State include milk and dairy products, greenhouse and nursery products, fruits, and vegetables. New York ranks among the nation's leaders in the production of these commodities.

**The 2011 Composition of Nonagricultural Employment and Wages
(Percent)**

	Employment		Wages	
	State	United States	State	United States
Natural Resources and Mining	0.1	0.6	0.1	1.3
Construction	3.5	4.2	3.7	4.4
Manufacturing	5.3	8.9	5.1	10.6
Trade, Transportation, and Utilities	17.1	19.0	12.4	15.9
Information	2.9	2.0	4.5	3.2
Financial Activities	7.9	5.8	20.8	9.1
Professional and Business Services	13.1	13.2	17.2	16.7
Educational and Health Services	19.9	15.1	14.1	13.3
Leisure and Hospitality	8.8	10.1	4.4	4.6
Other Services	4.3	4.1	2.8	3.2
Government	17.1	16.8	15.0	17.6

Source: NYS Department of Labor; US Department of Labor, Bureau of Labor Statistics; US Department of Commerce, Bureau of Economic Analysis.

Government: Federal, State, and local governments together comprise the second largest sector in terms of nonagricultural jobs, with the bulk of the employment accounted for by local governments. Public education is the source of about one-half of total State and local government employment.

The importance of the different sectors of the State's economy relative to the national economy is shown in the above table, which compares nonagricultural employment and wages by sector for the State and the nation as a whole. Manufacturing and construction account for smaller shares of employment for the State than for the nation, while the combined service industries account for a larger share. The financial activities sector share of total wages is particularly large for the State relative to the nation. Thus, the State is likely to be less affected than the nation as a whole during an economic recession that is concentrated in manufacturing and construction, but likely to be more affected by any economic downturn that is concentrated in the services sector.

ECONOMIC AND DEMOGRAPHIC TRENDS

In calendar years 1990 through 1998, the State's rate of economic growth was somewhat slower than that of the nation. In particular, during the 1990-91 recession and post-recession period, the economies of the State and much of the rest of the Northeast were more heavily damaged than the nation as a whole and were slower to recover. However, the situation subsequently improved. In 1999, for the first time in 13 years, State employment growth surpassed that of the nation, and in 2000 the rates were essentially the same. In 2001, the September 11th attack resulted in a downturn in New York that was more severe than for the nation as a whole. In contrast, the State labor market fared better than that of the nation as a whole during the most recent downturn that began in 2008, though New York experienced a historically large wage decline in 2009. The State unemployment rate was higher than the national rate from 1991 to 2000, but the gap between them has since closed, with the State rate below that of the nation from the start of the national recession through the end of 2012.

The following table compares population change in the State and in the United States since 1960.

Comparative Population Figures

	State			US	
	Total Population (000s)	% Change from Preceding Period	Percentage of U.S. Population	Total Population (000s)	% Change from Preceding Period
1960	16,782	13.2	9.4	179,323	18.5
1970	18,241	8.7	9.0	203,302	13.4
1980	17,558	(3.7)	7.8	226,546	11.4
1990	17,990	2.5	7.2	248,710	9.8
2000	18,976	5.5	6.7	281,422	13.2
2010	19,378	2.1	6.3	308,746	9.7
2011	19,465	0.4	6.2	311,592	0.9

Source: US Department of Commerce, Census Bureau.

ECONOMICS AND DEMOGRAPHICS

Total State nonagricultural employment has declined as a share of national nonagricultural employment. The following historical table compares these levels and the rate of unemployment for the State and the nation.

Nonagricultural Employment and Unemployment Rate for New York and the United States

	Employment (000s)		State as Percent of US Employment	Unemployment Rate (%)	
	State	US		State	US
1960	6,182	54,296	11.4	N/A	5.5
1970	7,156	71,006	10.1	N/A	4.9
1980	7,207	90,528	8.0	7.5	7.1
1990	8,214	109,487	7.5	5.3	5.6
2000	8,638	131,785	6.6	4.5	4.0
2010	8,567	129,874	6.6	8.6	9.6
2011	8,683	131,359	6.6	8.2	9.0

Source: US Department of Labor and NYS Department of Labor.

Note: Nonagricultural employment and unemployment rates are generated from separate surveys.

State per capita personal income has historically been significantly higher than the national average, although the ratio has varied substantially. Because New York City is an employment center for a multi-state region, State personal income measured on a residence basis understates the relative importance of the State to the national economy and the size of the base to which State taxation applies. The following table compares per capita personal incomes for the State and the nation.

Per Capita Personal Income (Income in Dollars)

	State	US	State/US
1960	2,822	2,268	1.24
1970	4,868	4,084	1.19
1980	10,985	10,091	1.09
1990	23,710	19,354	1.23
2000	34,623	30,319	1.14
2010	48,596	39,937	1.22
2011	50,545	41,663	1.21

Source: US Department of Commerce, Bureau of Economic Analysis.

DEBT AND OTHER FINANCING ACTIVITIES

The DOB prepares a Five-Year Capital Program and Financing Plan with the Executive Budget and updates it following enactment of the budget (the “Enacted Capital Plan”). The Capital Program and Financing Plan outlines the anticipated capital spending over the five-year period, the means by which it will be financed, the impact on debt measures, and the anticipated debt issuances required to support the planned capital spending. The Enacted Budget Capital Program and Financing Plan can be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, (518) 474-8282, or at www.budget.ny.gov.

STATE DEBT AND OTHER FINANCINGS

New York State is one of the largest issuers of municipal debt, ranking second among the states, behind California, in the amount of debt outstanding. The State ranks fifth in the U.S. in debt per capita, behind Connecticut, Massachusetts, Hawaii, and New Jersey. As of March 31, 2012, total State-related debt outstanding remained stable at \$56.8 billion and 5.7 percent of personal income. The State’s debt levels are typically measured using two categories: *State-supported debt* and *State-related debt*.

State-supported debt represents obligations of the State that are paid from traditional State resources (i.e., tax revenue) and have a budgetary impact. It includes general obligation debt, to which the full faith and credit of the State has been pledged, and lease purchase and contractual obligations of public authorities and municipalities, where the State’s legal obligation to make payments to those public authorities and municipalities is subject to and paid from annual appropriations made by the Legislature. These include the State PIT Revenue Bond program and the New York Local Government Assistance Corporation (LGAC) bonds. Since 2002, the State has financed most of its capital program with PIT Revenue Bonds, a revenue bond program that has reduced its cost of borrowing and created efficiencies by permitting the consolidation of bond sales. Prior to 2002, the State had financed its capital spending with lower-rated lease purchase and contractual service obligations of public authorities.

State-related debt is a broader measure of State debt which includes all debt that is reported in the State’s GAAP-basis financial statements, except for unamortized premiums and accumulated accretion on capital appreciation bonds. These financial statements are audited by external independent auditors and published by OSC on an annual basis. The debt reported in the GAAP-basis financial statements includes general obligation voter approved debt, other State-supported debt as defined in the State Finance Law, debt issued by the Tobacco Securitization Finance Corporation, certain debt of the Municipal Bond Bank Agency (MBBA) issued to finance prior year school aid claims and capital leases and mortgage loan commitments. In addition, State-related debt reported by DOB includes State-guaranteed debt, moral obligation financings and certain contingent-contractual obligation financings, where debt service is paid from non-State sources in the first instance, but State appropriations are available to make payments if necessary. These numbers are not included in the State’s GAAP-basis financial statements.

The State’s debt does not encompass, and does not include, debt that is issued by, or on behalf of, local governments and secured (in whole or in part) by State local assistance aid payments. For example, certain State aid to public schools paid to school districts or New York City has been pledged by those local entities to help finance debt service for locally-sponsored and locally-determined financings. This debt, however, is not treated by DOB as either State-supported debt or State-related debt because it (i) is not issued by the State (nor on behalf of the State), and (ii) does not result in a State obligation to pay debt service. Instead, this debt is accounted for in the respective financial statements of the local governments or other entity responsible for the issuance of such debt and is similarly treated.

DEBT AND OTHER FINANCING ACTIVITIES

The issuance of general obligation debt and debt of LGAC is undertaken by OSC. All other State-supported and State-related debt is issued by the State's financing authorities (known as "Authorized Issuers" in connection with the issuance of PIT Bonds) acting under the direction of DOB. The Authorized Issuers include NYSTA, DASNY, ESD, the Environmental Facilities Corporation (EFC), and the Housing Finance Agency (HFA). Prior to any issuance of State-supported debt and State-related debt, approval is required by the State Legislature, DOB, the issuer's board, and in certain instances, the Public Authorities Control Board (PACB), and the State Comptroller.

The State has never defaulted on any of its general obligation indebtedness or its obligations under lease purchase or contractual obligation financing arrangements and has never been called upon to make any direct payments pursuant to its guarantees. The following table summarizes the State's debt obligation for the past three fiscal years.

OUTSTANDING STATE-SUPPORTED AND STATE-RELATED DEBT ¹ (millions of dollars)			
	FY 2010	FY 2011	FY 2012
State-Supported Debt	50,323	51,618	52,773
General Obligation	3,400	3,525	3,494
Local Government Assistance Corporation	3,639	3,330	3,119
Personal Income Tax Revenue Bonds	18,189	20,986	23,074
Other Service Contract & Lease Purchase ²	13,271	12,316	11,312
Other Revenue Bonds	11,824	11,461	11,774
Contingent-Contractual Obligation Financings	3,894	3,597	3,193
DASNY/MCCFA - Secured Hospital Program	637	585	503
Tobacco Settlement Financing Corporation	3,257	3,012	2,690
Moral Obligation Financings	31	25	20
Housing Finance Agency	28	23	18
MCCFA - Hospitals and Nursing Homes	3	2	2
Other State Financings	840	781	749
MBBA Prior Year School Aid Claims	419	396	368
Capital Leases ²	266	237	237
Mortgage Loan Commitments	155	148	144
State Guaranteed Debt			
Job Development Authority	28	23	19
TOTAL STATE-RELATED DEBT	55,116	56,044	56,754

Source: NYS DOB. Except Mortgage Loan Commitments which are taken from the CAFR for FY 2010 and FY 2011 Mortgage Loan Commitments and Capital Leases are estimated by DOB for FY 2012.

¹Amounts outstanding reflect original par amounts or original gross proceeds in the case of capital appreciation bonds. Amounts do not reflect accretion of capital appreciation bonds or premiums received.

² Capital leases by OGS are included in State-Supported Debt.

STATE-SUPPORTED DEBT OUTSTANDING

State-supported debt represents obligations of the State that are paid from traditional State resources and have a budgetary impact. It includes general obligation debt, State PIT Revenue Bonds, LGAC bonds and lease purchase and service contract obligations of public authorities and municipalities.

DEBT AND OTHER FINANCING ACTIVITIES

Payment of all obligations, except for general obligation debt, is subject to annual appropriations by the State Legislature, but the State's credits have different security features, as described in this section.

GENERAL OBLIGATION FINANCINGS

With limited exceptions for emergencies, the State Constitution prohibits the State from undertaking a long-term general obligation borrowing (i.e., borrowing for more than one year) unless it is authorized in a specific amount for a single work or purpose by the Legislature and approved by the voters. There is no constitutional limitation on the amount of long-term general obligation debt that may be so authorized and subsequently incurred by the State. However, the Debt Reform Act of 2000 ("Debt Reform Act") imposed statutory limitations on new State-supported debt issued on and after April 1, 2000. The State Constitution provides that general obligation bonds, which can be paid without an appropriation, must be paid in equal annual principal installments or installments that result in substantially level or declining debt service payments, mature within 40 years after issuance, and begin to amortize not more than one year after the issuance of such bonds. However, general obligation housing bonds must be paid within 50 years after issuance, with principal commencing no more than three years after issuance. The Debt Reform Act limits the maximum term of State-supported bonds, including general obligation bonds, to 30 years, and the State currently has no bonds outstanding with a remaining final maturity that is more than 30 years.

General obligation debt is currently authorized for transportation, environment and housing purposes. Transportation-related bonds are issued for State and local highway and bridge improvements, mass transportation, rail, aviation, canal, port and waterway programs and projects. Environmental bonds are issued to fund environmentally sensitive land acquisitions, air and water quality improvements, municipal non-hazardous waste landfill closures and hazardous waste site cleanup projects.

Most general obligation debt-financed spending in the Enacted Capital Plan is authorized under nine previously approved bond acts (five for transportation and four for environmental and recreational programs). The majority of projected general obligation bond-financed spending supports authorizations for the 2005 Rebuild and Renew New York Bond Act. DOB projects that spending authorizations from the remaining bond acts will be virtually depleted by FY 2013.

The State Constitution permits the State to undertake short-term general obligation borrowings without voter approval in anticipation of the receipt of (i) taxes and revenues, by issuing general obligation tax and revenue anticipation notes (TRANS), and (ii) proceeds from the sale of duly authorized but unissued general obligation bonds, by issuing bond anticipation notes (BANs). General obligation TRANS must mature within one year from their date of issuance and cannot be refunded or refinanced beyond such period. However, since 1990, the State's ability to issue general obligation TRANS that mature in the same State fiscal year in which they were issued has been limited due to the enactment of the fiscal reform program which created LGAC. BANs may only be issued for the purposes and within the amounts for which bonds may be issued pursuant to voter authorizations, and must be paid from the proceeds of the sale of bonds in anticipation of which they were issued or from other sources within two years of the date of issuance or, in the case of BANs for housing purposes, within five years of the date of issuance. In order to provide flexibility within these maximum term limits, the State had previously used the BANs authorization to conduct a commercial paper program to fund disbursements eligible for general obligation bond financing.

DEBT AND OTHER FINANCING ACTIVITIES

The following table sets forth information regarding the levels of authorized, unissued and outstanding State general obligation debt by purpose as of March 31, 2012. This table reflects Bond Acts where there are remaining amounts authorized but unissued or where there is debt outstanding.

STATE GENERAL OBLIGATION DEBT			
March 31, 2012			
(In Millions)			
Purpose/Year Authorized	Total Authorized	Authorized but Unissued	Total Debt Outstanding
Transportation Bonds:			
Rebuild and Renew New York Transportation Bonds (2005)			
Highway Facilities/Other Transportation (Excluding MTA)			
Highway Facilities	Note 1	Note 1	\$ 764
Mass Transit - DOT	Note 1	Note 1	13
Rail & Port	Note 1	Note 1	76
Canals & Waterways	Note 1	Note 1	15
Aviation	Note 1	Note 1	43
Subtotal Highway Facilities/Other Transportation (Excluding MTA)	\$ 1,450	\$ 396	911
Mass Transit - Metropolitan Transportation Authority	1,450	569	806
Accelerated Capacity and Transportation			
Improvements of the Nineties (1988)			
	3,000	20	371
Rebuild New York Through Transportation			
Infrastructure Renewal (1983)			
Highway Related Projects	1,064	22	3
Ports, Canals, and Waterways	49	-	- (2)
Rapid Transit, Rail and Aviation Projects	137	-	16
Energy Conservation Through Improved Transportation (1979)			
Local Streets and Highways	100	-	-
Rapid Transit and Rail Freight	400	-	12
Rail Preservation (1974)	250	-	5
Transportation Capital Facilities (1967)			
Highways	1,250	-	-
Mass Transportation	1,000	-	4
Aviation	250	-	16
Total Transportation Bonds	10,400	1,007	2,144
Environmental Bonds:			
Clean Water/Clean Air (1996)			
Air Quality	230	30	45
Safe Drinking Water	355	-	13
Clean Water	790	130	466
Solid Waste	175	3	70
Environmental Restoration	200	50	101
Environmental Quality (1986)			
Land and Forests	250	3	33
Solid Waste Management	1,200	61	369
Environmental Quality (1972)			
Air	150	12	11
Land and Wetlands	350	10	25
Water	650	4	84
Pure Waters (1965)	1,000	21	67
Park and Recreation Land Acquisition (1960)	100	1	- (3)
Total Environmental Bonds	5,450	325	1,284
Housing Bonds:			
Low-Income Housing (through 1958)	960	8	35
Middle-Income Housing (through 1958)	150	1	31
Urban Renewal (1958)	25	1	-
Total Housing Bonds	1,135	10	66
TOTAL GENERAL OBLIGATION DEBT	\$ 16,985	\$ 1,342	\$ 3,494

Source: Office of the State Comptroller

(1) The Legislature did not provide any limitation on bonds to be issued for specific project categories or programs authorized within the Highway Facilities/Other Transportation (excluding MTA) Purpose.

(2) This amount rounds to zero, but there was an outstanding balance of \$38,396.10 at March 31, 2012.

(3) This amount rounds to zero, but there was an outstanding balance of \$17,462.59 at March 31, 2012.

STATE PIT REVENUE BOND PROGRAM

Since 2002, the PIT Revenue Bond Program has been the primary financing vehicle used to fund the State's capital program, replacing lower rated service contract bonds. Legislation enacted in 2001 provided for the issuance of State PIT Revenue Bonds by the State's Authorized Issuers. The legislation requires 25 percent of State PIT receipts (excluding refunds owed to taxpayers) to be deposited into the Revenue Bond Tax Fund (RBTF) for purposes of making debt service payments on these bonds, with the excess amounts returned to the General Fund. The first State PIT Revenue Bonds were issued on May 9, 2002, and since that time, all of the Authorized Issuers have issued State PIT Revenue Bonds.

Legislation enacted in 2007 increased the amount of PIT receipts to be deposited into the RBTF by removing an exclusion for PIT amounts deposited to the STAR Fund. In the event that (a) the State Legislature fails to appropriate amounts required to make all debt service payments on the State PIT Revenue Bonds or (b) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on the State PIT Revenue Bonds, the legislation requires that PIT receipts continue to be deposited to the RBTF until amounts on deposit in the Fund equal the greater of (i) 25 percent of annual PIT receipts or (ii) \$6 billion. Debt service on State PIT Revenue Bonds is subject to legislative appropriation, as part of the annual debt service bill.

As of March 31, 2012, approximately \$23 billion of State PIT Revenue Bonds were outstanding. State PIT Revenue Bonds have been issued to support programs related to six general purposes: Education, Economic Development and Housing, Environment, State Facilities and Equipment, Transportation and Healthcare. Legislation enacted in FY 2010 and extended through FY 2013 permits DASNY and ESDC to issue State PIT Revenue Bonds for any authorized purpose. Prior to this time, State law required that State PIT Revenue Bonds sold for capital purposes had to be sold through specific issuers, creating coordination difficulties in scheduling sales and reimbursing capital disbursements on a timely basis. Pursuant to this State law, State PIT Revenue Bonds began to be issued by DASNY and ESDC under new General Purpose resolutions that permitted the issuance of bonds on a consolidated basis for all purposes. The State expects to continue to use the General Purpose resolutions for future issuances of State PIT Revenue Bonds for all purposes, except for Transportation.

In addition, legislation that temporarily authorizes the use of State PIT Revenue Bonds to finance the State's Mental Health Facilities Improvement Revenue Bond Program has been extended through FY 2013. This has enabled the State to take advantage of the lower interest rates typically paid on State PIT Revenue Bonds as compared to the State's Mental Health Facilities Improvement Revenue Bonds.

DEBT AND OTHER FINANCING ACTIVITIES

Based on current information and assumptions, DOB anticipates the amount of State PIT Revenue Bonds to be outstanding through FY 2016 will be as follows:

OUTSTANDING STATE PERSONAL INCOME TAX REVENUE BONDS					
(millions of dollars)					
	FY 2012 Results	FY 2013 Projected	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
State PIT Revenue Bonds ¹	23,074	25,490	27,340	28,778	30,078
Economic Development & Housing	4,556	4,653	4,680	4,573	4,219
Education	9,391	10,638	11,971	13,253	14,349
Environment	1,067	1,437	1,586	1,674	1,713
Healthcare	1,804	1,988	2,000	1,871	1,760
State Facilities & Equipment	3,527	3,681	3,804	3,926	4,096
Transportation	2,729	3,093	3,299	3,481	3,941

Source: NYS DOB
¹ Includes amounts issued under the General Purpose resolutions.

FY 2013 PIT REVENUE BOND BORROWING PLAN

State PIT Revenue Bonds that are expected to be issued in FY 2013 to support multiple capital program areas include:

- **Education (\$1.5 billion):** supports SUNY and CUNY, EXCEL, NYSTAR, and the Higher Education Capital Matching Grant Program.
- **Economic Development and Housing (\$508 million):** supports housing, SIP, economic development projects for the Buffalo area, CEFAP, the Regional Economic Growth Program, the New York State Economic Development Program, high technology and other business investment programs, and recent economic development initiatives.
- **State Facilities and Equipment (\$332 million):** supports correctional facilities, youth facilities, State office buildings, a new State Police Troop G headquarters, and capital projects for DMNA.
- **Transportation (\$549 million):** supports local transportation projects under the CHIPs program, projects at the Peace Bridge, as well as MTA transportation facilities.
- **Healthcare (\$273 million):** supports the program for capital and equipment grants to healthcare providers.
- **Environment (\$440 million):** supports the State Revolving Fund, the State Superfund Program, EPF, State Parks and other environmental projects.

The PIT Revenue Bond coverage ratios for upcoming years are based on assumptions of future capital spending contained in the Enacted Capital Plan. Traditionally, these estimates change substantially as new multi-year capital plans are authorized. The projected PIT Revenue Bond coverage ratios, noted below, are based upon estimates of PIT receipts deposited into the RBTF and include projected PIT debt issuances.

DEBT AND OTHER FINANCING ACTIVITIES

PROJECTED PIT REVENUE BOND COVERAGE RATIOS					
FY 2012 THROUGH 2016					
(millions of dollars)					
	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Projected RBTF Receipts	9,692	10,064	10,793	11,085	11,453
PIT Bonds Outstanding (as of 3/31/12)	23,074	21,937	20,835	19,743	18,672
Projected New PIT Bonds Outstanding	0	3,553	6,505	9,035	11,406
Projected Total PIT Bonds Outstanding	23,074	25,490	27,340	28,778	30,078
Projected Maximum Annual Debt Service	2,253	2,563	2,745	2,921	3,055
Projected PIT Coverage Ratio	4.3	3.9	3.9	3.8	3.7

NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION

In 1990, as part of a State fiscal reform program, legislation was enacted creating LGAC, a public benefit corporation empowered to issue long-term obligations to fund certain payments to local governments that had been traditionally funded through the State's annual seasonal borrowing. The legislation also dedicated revenues equal to one cent of the State's four cent sales and use tax to pay debt service on these bonds. As of June 1995, LGAC had issued State-supported bonds and notes to provide net proceeds of \$4.7 billion, completing the program. The issuance of these long-term obligations will be amortized over a period of no more than 30 years from the dates of their original issuance.

The legislation eliminated the annual issuance of general obligation TRANs that mature in the same State fiscal year that they are issued ("seasonal borrowing") except in cases where the Governor and the legislative leaders have certified the need for additional seasonal borrowing, based on emergency or extraordinary factors, or factors unanticipated at the time of adoption of the budget, and provide a schedule for eliminating it over time. Any seasonal borrowing is required by law to be eliminated by the fourth fiscal year after the limit was first exceeded (i.e., no general obligation seasonal borrowing in the fifth year). The provision limiting the State's seasonal borrowing practices was included as a covenant with LGAC's bondholders in the General Bond Resolution and General Subordinate Lien Bond Resolution authorizing such bonds. No restrictions were placed upon the State's ability to issue deficit TRANs (issued in one year and maturing in the following year).

The LGAC changes, as well as other changes in revenue and spending patterns, have allowed the State to meet its cash flow needs throughout the fiscal year without relying on seasonal borrowings. However, the State has taken extraordinary measures in recent years to manage its cash flow, including payment deferrals and permitting the State to borrow from other funds of the State (i.e., non-General Fund) for a limited period.

Legislation enacted in 2003 requires LGAC to certify, in addition to its own cash needs, \$170 million annually to provide an incentive for the State to seek an annual appropriation to provide local assistance payments to New York City or its assignee. In May 2004, LGAC amended its General Bond Resolution and General Subordinate Lien Bond Resolution to make clear that any failure to certify or make payments to the City or its assignee has no impact on LGAC's own bondholders; and that if any such act or omission were to occur with respect to any bonds issued by The City of New York or its assignee, that act or omission would not constitute an event of default with respect to LGAC bonds. The

DEBT AND OTHER FINANCING ACTIVITIES

FY 2013 Enacted Budget includes a local assistance appropriation of \$170 million from the Local Government Assistance Tax Fund to the City.

STATE-SUPPORTED LEASE-PURCHASE AND OTHER CONTRACTUAL-OBLIGATION FINANCINGS

Prior to the 2002 commencement of the State PIT Revenue Bond program, public authorities or municipalities issued other lease-purchase and contractual-obligation debt. This type of debt, where debt service is payable from monies received from the State and is subject to annual State appropriation, are not general obligations of the State.

Under this financing structure bonds were issued to finance various capital programs, including those which finance certain of the State's highway and bridge projects, SUNY and CUNY educational facilities, health and mental hygiene facilities, prison construction and rehabilitation, economic development projects, State buildings and housing programs, and equipment acquisitions.

Debt service payable to certain public authorities from State appropriations for such lease-purchase and contractual obligation financings may be paid from general resources of the State or from dedicated tax and other sources (i.e., personal income taxes, motor vehicle and motor fuel related-taxes, dormitory facility rentals, and patient income). Although these financing arrangements involve a contractual agreement by the State to make payments to a public authority, municipality or other entity, the State's obligation to make such payments is expressly made subject to appropriation by the Legislature and the actual availability of money to the State for making the payments.

Legislation first enacted in FY 2011, and extended through FY 2014, authorizes the State to set aside monies in reserve for debt service on general obligation, lease-purchase, and service contract bonds. Pursuant to a certificate filed by the Director of the Budget with the State Comptroller, the Comptroller is required to transfer from the General Fund such reserved amounts on a quarterly basis in advance of required debt service payment dates.

OTHER NEW YORK STATE REVENUE BOND PROGRAMS

DEDICATED HIGHWAY AND BRIDGE TRUST FUND BONDS

DHBTF bonds are issued by NYSTA for State transportation purposes and are backed by dedicated motor fuel, gas and other transportation related taxes and fees. DHBTF Bond issuances are expected to total approximately \$633 million in FY 2013.

SUNY DORMITORY FACILITIES BONDS

SUNY Dormitory Facilities Bonds, which are issued by DASNY, are supported by dormitory fees and rents charged to students residing in housing facilities on campus. The bond issuances of \$260 million in FY 2013 will support the expansion and renovation of SUNY dormitory facilities.

MENTAL HEALTH FACILITIES IMPROVEMENT BONDS

Mental Health Facilities Improvement bonds are issued by DASNY and supported by patient revenues. The issuances of \$397 million in FY 2013 will support capital projects to preserve and maintain both State and community-based facilities operated and/or licensed by OMH, OPWDD, and

OASAS. Under legislation authorized with the Enacted Budget, these programs' needs may and are expected to be financed with PIT bonds in FY 2013.

A major source of patient revenues for these bonds are Federal Medicaid payments for services delivered by OPWDD. These payments are projected to account for roughly 39 percent of revenues dedicated to pay debt service on these bonds. Debt service coverage ratios for future years are currently projected at approximately 10 times for existing Mental Health Facilities Improvements Revenue Bonds. As noted previously, the Federal Centers for Medicare and Medicaid Services (CMS) have engaged the State regarding claims for services provided to individuals in developmental centers operated by OPWDD. Although no official audit has commenced and the rates paid for these services are established in full accordance with the methodology set forth in the approved State Plan, an adverse action by CMS could jeopardize a significant amount of Federal financial participation in the State Medicaid program. The State has begun the process of seeking CMS approval to proceed with the development of a sustainable system of service funding and delivery for individuals with developmental disabilities.

STATE-RELATED DEBT OUTSTANDING

State-related debt is a broader measure of debt that includes State-supported debt, as discussed above, and contingent-contractual obligations, moral obligations, State-guaranteed debt and other debt. As of March 31, 2012, the State has never been required to make an unanticipated debt service payment on contingent contractual, moral obligation, or State-guaranteed obligations.

CONTINGENT-CONTRACTUAL OBLIGATION FINANCING

Contingent-contractual debt, included in State-related debt, is debt where the State enters into a statutorily authorized contingent-contractual obligation via a service contract to pay debt service in the event there are shortfalls in revenues from other non-State resources pledged or otherwise available to pay the debt service. As with State-supported debt, except for general obligation, all payments are subject to annual appropriation. The State has never been required to make any payments under this financing arrangement, but the bankruptcy of certain hospitals in the secured hospitals program (described below) may require the State to make payments in the future.

SECURED HOSPITAL PROGRAM

Pursuant to legislation enacted in 1985, the State entered into service contracts establishing a contingent-contractual obligation with respect to financings related to the Secured Hospital Program for the purpose of enabling certain financially distressed not-for-profit hospitals to gain access to the capital markets. The State service contracts obligate the State to pay debt service, subject to annual appropriations, on bonds issued by the New York State Medical Care Facilities Finance Agency (MCFFA) and by DASNY (all now included as debt of DASNY) in the event there are shortfalls of 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 financial condition of most hospitals in the State's Secured Hospital Program continues to deteriorate. Assuming recent trends continue, State resources will be needed to meet debt service obligations on outstanding bonds. As of March 31, 2012, there were approximately \$503 million of outstanding bonds in the program. 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. As of March 31, 2012, four were delinquent on their payment obligations. Of those, one hospital (North General Hospital) filed for bankruptcy in July 2010 (and closed later that

DEBT AND OTHER FINANCING ACTIVITIES

month) and the hospital will not be making any further payments on the \$105 million of currently outstanding bonds

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.

TOBACCO SETTLEMENT FINANCING CORPORATION (TSFC)

Legislation enacted in 2003 authorized the State to securitize all of its tobacco settlement payments through the TSFC, a corporation created under the legislation that is a subsidiary of the MBBA, through an asset-backed securitization transaction. To lower costs, the legislation authorized the State to enter into contingency contracts obligating the State to pay debt service, subject to annual appropriations, on the TSFC bonds in the event that tobacco receipts and bond reserves are insufficient. To reduce the chance that the State's contractual payments will be required in the event that tobacco receipts and bond reserves are not sufficient to pay debt service, the TSFC bonds were structured to meet or exceed all rating agency tobacco bond stress tests. The \$4.2 billion of upfront payments received by the State from the securitization were used to help restore State budget balance in FY 2004 (\$3.8 billion) and FY 2005 (\$400 million). As of March 31, 2012, approximately \$2.7 billion of TSFC bonds were outstanding. DOB does not anticipate that the State will be called upon to make any payment, pursuant to the contingency contract, in FY 2013.

The bonds carry a final nominal maturity of 19 years and have an expected final maturity of 13 years, based on optional redemptions (i.e., an expected final maturity in calendar year 2018). The expected final maturity may deviate due to the optional nature of the redemptions and adjustments to tobacco settlement payments due from participating manufacturers. Various manufacturers, including the original participating manufacturers, have made, or indicate that they plan to make, reduced payments to states and territories, or deposit payments into a special disputed payments account awaiting determination of entitlement to adjustments.

MORAL OBLIGATION FINANCINGS

Moral obligation financing generally involves the issuance of debt by a public authority to finance a revenue producing project or other activity. The debt is secured, in the first instance, by project revenues, but includes statutory provisions requiring the State, subject to appropriation by the Legislature, to make up any deficiencies which may occur in the issuer's debt service reserve fund. There has never been a payment default on any moral obligation debt of any public authority. DOB does not expect the State to increase statutory authorizations for moral obligation bond programs. From 1976 through 1987, the State was called upon to appropriate and make payments totaling \$162.8 million to make up deficiencies in the debt service reserve funds of HFA pursuant to moral obligation provisions. In the same period, the State also expended additional funds to assist the Project Finance Agency, Urban Development Corporation (UDC) and other public authorities which had moral obligation debt outstanding. The State has not been called upon to make any payments pursuant to any moral obligations since FY 1987 and no such requirements are anticipated during FY 2013.

DEBT AND OTHER FINANCING ACTIVITIES

STATE-GUARANTEED FINANCINGS

Pursuant to specific constitutional authorization, the State may also directly guarantee certain public authority obligations. Payments of debt service on State-guaranteed bonds and notes are legally enforceable obligations of the State. The only current authorization provides for the State guarantee of the repayment of certain borrowings for designated projects of the New York State Job Development Authority (JDA). The State has never been called upon to make any direct payments pursuant to any such guarantees.

Due to concerns regarding the economic viability of its programs, JDA's loan and loan guarantee activities were suspended in 1995. JDA resumed its lending activities in 1997 under a revised set of lending programs and underwriting guidelines. In April 2004, JDA issued approximately \$42 million of State-guaranteed bonds to refinance certain of its outstanding bonds and notes in order to restructure and improve JDA's capital finances. As of March 31, 2012, JDA had approximately \$19 million of bonds outstanding. DOB does not anticipate that the State will be called upon to make any payments pursuant to the State guarantee in FY 2013.

OTHER STATE FINANCINGS

Other State financings relate to the issuance of debt by a public authority on behalf of a municipality which receives proceeds of the sale. These include Capital Leases, Mortgage Loan Commitments and MBBA prior year school aid claims. To ensure that debt service payments are made, the municipality assigns specified State and local assistance payments it receives to the issuer or the bond trustee. The State has no legal obligation to make any debt service payments or to continue to appropriate local assistance payments that are subject to the assignment.

BORROWING PLAN

STATE DEBT ISSUANCES BY FINANCING PROGRAM						
(millions of dollars)						
	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Personal Income Tax Revenue Bonds	3,190	3,629	3,136	2,812	2,712	2,263
General Obligation Bonds	330	436	379	299	111	66
Dedicated Highway & Bridge Trust Fund Bonds	879	633	709	703	621	560
Mental Health Facilities Improvement Revenue Bonds ¹	0	397	454	560	587	587
SUNY Dormitory Facilities Bonds	260	260	51	0	102	102
Total Issuances	<u>4,659</u>	<u>5,355</u>	<u>4,729</u>	<u>4,374</u>	<u>4,133</u>	<u>3,578</u>

Source: NYS DOB
¹ May also be issued under the State PIT Revenue Bond financing program.

Debt issuances of \$5.4 billion are planned to finance new capital project spending in FY 2013, an increase of \$696 million (14.9 percent) from FY 2012. The bond issuances will finance capital commitments for education (\$1.8 billion), transportation (\$1.6 billion), health and mental hygiene (\$670 million), economic development (\$508 million), the environment (\$498 million), and State facilities and equipment (\$332 million).

Over the next five years, new debt issuances are projected to total \$22.2 billion. New issuances are primarily for education facilities (\$8.0 billion), transportation infrastructure (\$7.1 billion), mental hygiene

DEBT AND OTHER FINANCING ACTIVITIES

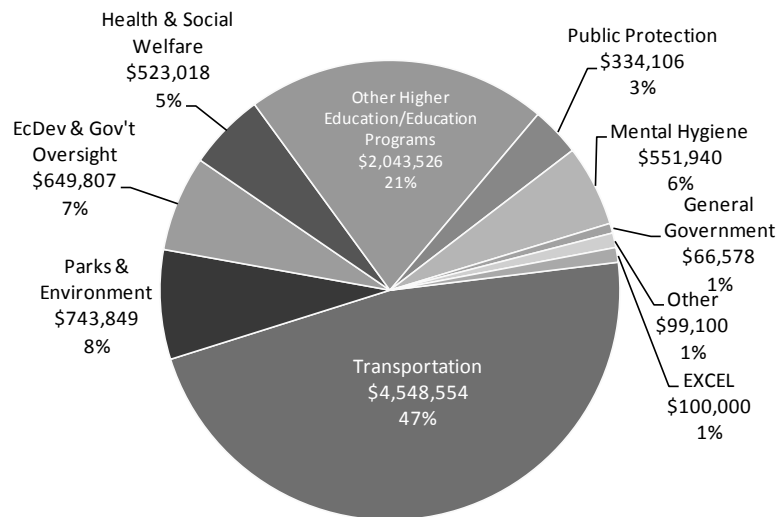
and health care facilities (\$3.0 billion), State facilities and equipment (\$1.4 billion), and the environment (\$1.3 billion).

The PIT credit has replaced all of the State's new money service contract bonding, and is projected to comprise nearly two-thirds of all new State bond issuances. The remaining balance is divided between bonds which are the general obligation of the State and bonds which are supported by other revenue credits (e.g., the Dedicated Highway and Bridge Trust Fund bonds).

FY 2013 CAPITAL PROJECTS SPENDING

Spending on capital projects is projected to total \$9.7 billion in FY 2013, which includes \$1.7 billion in "off-budget spending" directly from bond proceeds held by public authorities. Overall, capital spending in FY 2013 is projected to increase by \$349 million (4 percent) from FY 2012.

FY 2013 Capital Spending by Function
(thousands of dollars)



In FY 2013, transportation spending is projected to total \$4.5 billion, which represents 47 percent of total capital spending, with education comprising the next largest share at 21 percent. Economic development and environmental spending represent 7 percent and 8 percent, respectively. The remaining 17 percent is comprised of spending for mental hygiene, health and social welfare, public protection and all other capital programs.

Spending for transportation is projected to increase by \$186 million (4 percent) in FY 2013, reflecting the New York Works initiative that will create jobs by accelerating road and bridge projects and other transportation infrastructure projects throughout the State.

Parks and environment spending will increase by \$59 million (9 percent) in FY 2013 primarily as a result of the New York Works program that will accelerate the rebuilding of the State's aging infrastructure, including the State park system. Spending will include projects for the rehabilitation, preservation and maintenance of state park lands, facilities and other structures. Other efforts include

DEBT AND OTHER FINANCING ACTIVITIES

projects to protect the State's water and air quality, Brownfield projects, hazardous waste site cleanups, and landfill closures.

Economic development and government oversight spending is projected to decline by \$476 million (-42 percent). This is primarily attributable to the completion of significant projects, including the GlobalFoundries facility. Ongoing projects include continued support of various economic development and regional initiatives including Regional Councils.

Spending for health and social welfare is projected to increase by \$127 million (32 percent). It reflects ongoing commitment levels for the \$1.6 billion HEAL NY program enacted in FY 2007.

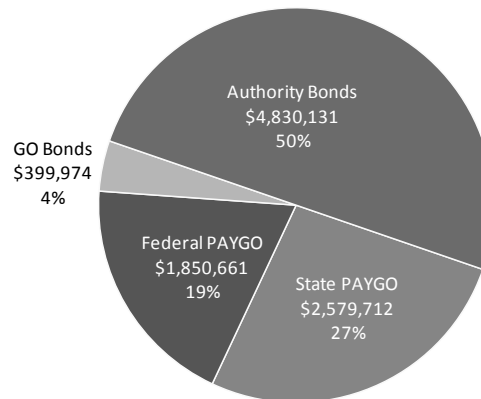
Education spending overall is projected to increase by \$289 million (16 percent) in FY 2013. This is primarily due to continued capital investments in the State's public universities as a result of the SUNY and CUNY capital plans enacted in FY 2009. This includes a modest decline in spending for the EXCEL program of \$10 million.

Spending increases of \$25 million (8 percent) for public protection primarily reflect continued investments in the Division of Homeland Security and Emergency Services State Preparedness Training Center, and the Division of State Police Troop G Headquarters, as well as preservation and improvement projects at correctional facilities.

Mental hygiene capital spending will increase by \$189 million (52 percent) for continued rehabilitation projects at State and not-for-profit facilities and ongoing development of community residences.

FINANCING FY 2013 CAPITAL PROJECTS SPENDING

FY 2013 Capital Spending by Financing Source
(thousands of dollars)



In FY 2013, the State plans to finance 54 percent of capital projects spending with long-term debt. Federal aid is expected to fund 19 percent of the State's FY 2013 capital spending, primarily for transportation. State cash resources will finance the remaining 27 percent of capital spending. Year-to-year, total PAYGO support is projected to increase by \$455 million, with State PAYGO increasing by

DEBT AND OTHER FINANCING ACTIVITIES

\$428 million and Federal PAYGO support increasing by \$27 million. Bond-financed spending is projected to decline by \$106 million.

STATE-RELATED DEBT SERVICE REQUIREMENTS

The following table presents the current and future debt service (principal and interest) requirements on State-related debt outstanding as of March 31, 2012. The requirements of LGAC and other financing obligations of public authorities are based on the gross amounts due from the authorities to bondholders within the fiscal year when such authorities make the payments. The amounts shown do not reflect other associated costs or revenues anticipated to be available, such as interest earnings, capitalized interest or debt service reserve fund releases. Thus, the requirements shown are generally in excess of the amounts expected to be actually paid by the State during its fiscal year.

ESTIMATED DEBT SERVICE REQUIREMENTS ON EXISTING STATE-RELATED DEBT BY CREDIT STRUCTURE ¹						
(millions of dollars)						
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Total
General Obligation	491	448	411	377	343	2,070
Local Government Assistance Corporation	378	389	379	386	386	1,918
State Personal Income Tax Financing Obligations	2,253	2,173	2,117	2,047	2,028	10,618
Other State-Supported Financing Obligations	2,829	2,815	2,681	2,508	2,314	13,147
Tobacco ²	438	450	444	443	443	2,218
All Other State-Related Financing Obligations	132	133	127	125	100	617
Total Debt Service	6,521	6,408	6,159	5,886	5,614	30,588

Source: NYS DOB

¹ Reflects debt issued as of March 31, 2012. Estimated debt service requirements are calculated based on swap rates in effect for all bonds that were synthetically fixed under an interest rate exchange agreement. Debt service requirements for variable rate bonds for which there are no related interest rate exchange agreements were calculated at rates of 3.50 percent.

² Estimated debt service numbers are based on available information as of March 31, 2012. Since 2006 certain monies expected to flow to the State under the Master Settlement Agreement have been withheld and placed in an escrow account. Pending the outcome of a resolution between participating manufacturers and the states, the debt service numbers will be adjusted accordingly.

LIMITATIONS ON STATE-SUPPORTED DEBT

DEBT REFORM ACT OF 2000

Chapter 59 of the Laws of 2000 enacted the Debt Reform Act, which is intended to improve the State's borrowing practices and applies to all new State-supported debt issued on and after April 1, 2000. The Debt Reform Act imposes phased-in caps on new debt outstanding and new debt service costs, limits the use of debt to capital works and purposes only, and establishes a maximum term of 30 years on such debt.

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 in FY 2011. The cap on new

DEBT AND OTHER FINANCING ACTIVITIES

State-supported debt service costs began at 0.75 percent of total governmental funds receipts in FY 2001 and will increase until it is fully phased in at 5 percent in FY 2014.

The Debt Reform Act requires that the limitations on the issuance of State-supported debt and debt service costs be calculated on or about October 31 of each year and reported in the quarterly Financial Plan Update most proximate to such date. If the calculations for new State-supported debt outstanding and debt service costs are less than the State-supported debt outstanding and debt service costs permitted under the Debt Reform Act, new State-supported debt may continue to be issued. However, if either cap is met or exceeded, the State, absent a change in law, would be precluded from contracting new State-supported debt until the next annual cap calculation is made and State-supported debt is found to be within the appropriate limits. DOB intends to manage subsequent capital plans and issuance schedules consistent with the limits.

In the most recent annual certification dated November 14, 2011, the State reported that it was in compliance with both debt caps, with debt issued after March 31, 2000 and outstanding at March 31, 2011 at 3.49 percent of personal income and debt service on such debt at 2.34 percent of total governmental receipts, compared to the caps of 4.00 and 4.32 percent, respectively.

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 \$602 million in FY 2014. This latter amount is \$288 million higher than the Executive Budget forecast, an increase attributable to modest changes in both the personal income and debt issuance forecasts. The State is instituting measures to address capital spending priorities and debt financing practices.

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal		Debt Outstanding		\$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
	Income	Cap %	Cap \$	Since April 1, 2000					
FY 2012	983,868	4.00%	39,355	35,803	3,552	3.64%	0.36%	16,969	52,773
FY 2013	1,017,103	4.00%	40,684	39,192	1,492	3.85%	0.15%	15,348	54,540
FY 2014	1,061,148	4.00%	42,446	41,843	602	3.94%	0.06%	13,718	55,562
FY 2015	1,122,828	4.00%	44,913	44,047	866	3.92%	0.08%	12,126	56,172
FY 2016	1,183,444	4.00%	47,338	45,930	1,408	3.88%	0.12%	10,593	56,523
FY 2017	1,243,645	4.00%	49,746	47,161	2,585	3.79%	0.21%	9,132	56,293

DEBT SERVICE SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT SERVICE (millions of dollars)	
Year	All Funds		Debt Service		\$ Remaining Capacity	DS as a % of Receipts	% Remaining Capacity	Debt Service Prior to April 1, 2000	Total State-Supported Debt Service
	Receipts	Cap %	Cap \$	Since April 1, 2000					
FY 2012	132,745	4.65%	6,173	3,521	2,652	2.65%	2.00%	2,343	5,864
FY 2013	133,270	4.98%	6,641	3,797	2,845	2.85%	2.13%	2,264	6,061
FY 2014	138,792	5.00%	6,940	4,091	2,848	2.95%	2.05%	2,278	6,369
FY 2015	143,060	5.00%	7,153	4,340	2,813	3.03%	1.97%	2,143	6,483
FY 2016	147,856	5.00%	7,393	4,600	2,793	3.11%	1.89%	2,016	6,616
FY 2017	154,109	5.00%	7,705	4,861	2,844	3.15%	1.85%	1,865	6,726

INTEREST RATE EXCHANGE AGREEMENTS AND NET VARIABLE RATE OBLIGATIONS

Chapter 81 of the Laws of 2002 authorized issuers of State-supported debt to issue a limited amount of variable rate debt instruments and to enter into a limited amount of interest rate exchange agreements. The current limit on debt instruments which result in a net variable rate exposure (i.e., both variable rate

DEBT AND OTHER FINANCING ACTIVITIES

debt and interest rate exchange agreements) is no more than 15 percent of total outstanding State-supported debt. Interest rate exchange agreements are also limited to a total notional amount of no more than 15 percent of total outstanding State-supported debt. The outstanding State-supported debt of \$52.8 billion as of March 31, 2012 results in a cap on variable rate exposure and a cap on interest rate exchange agreements of about \$8 billion each (15 percent of total outstanding State-supported debt). As discussed below, as of March 31, 2012, both the amount of outstanding variable rate debt instruments and interest rate exchange agreements were less than the authorized totals of 15 percent of total outstanding State-supported debt.

INTEREST RATE EXCHANGE AGREEMENTS

As of March 31, 2012, the State's Authorized issuers have a notional amount of \$2.1 billion in interest rate exchange agreements or 3.9 percent of total debt outstanding.

The State has significantly reduced its swap exposure from \$6.0 billion as of March 31, 2008 to \$2.1 billion as of March 31, 2012, a 65 percent reduction. Over the last four years, the State has terminated \$3.8 billion of swaps, including \$565 million that was terminated automatically due to the bankruptcy of Lehman Brothers Holdings, Inc. In conjunction with the termination of swaps, the State reduced a similar amount of variable rate bonds through fixed rate refundings. The State currently has no plans to increase its swap exposure, and may take further actions to reduce swap exposures commensurate with variable rate restructuring efforts.

The following table shows the amount of outstanding interest rate exchange agreements which are subject to the statutory cap over the next four years.

Interest Rate Exchange Caps (millions of dollars)					
	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Interest Rate Exchange Cap	7,916	8,181	8,334	8,426	8,478
Notional Amounts of Interest Rate Exchange Agreements	2,060	2,045	2,014	1,927	1,820
Percent of Interest Rate Exchange Agreements to Debt Outstanding	3.9%	3.7%	3.6%	3.4%	3.2%

NET VARIABLE RATE OBLIGATIONS

As of March 31, 2012, the State had \$2.4 billion of variable rate obligations, of which approximately \$2.1 billion is hedged to fixed rate using interest rate exchange agreements. The net variable rate exposure subject to the cap is \$356 million, or 0.7 percent of total debt outstanding.

The State has made significant adjustments to its variable rate bond portfolio to mitigate risks and reduce costs. Since March 31, 2008, the State has reduced its unhedged variable rate bond exposure by \$1.3 billion.

In addition to the variable rate obligations described above, the State has \$259 million convertible rate bonds currently outstanding. These bonds bear a fixed rate until future mandatory tender dates in 2013, at which times the State can convert them to either a fixed rate or continue them in a variable rate mode. Legislation was enacted in 2005 to clarify that convertible bonds, synthetic variable obligations

and similar obligations that were issued on or before July 1, 2005 and which result in the State paying a fixed rate in a fiscal year do not count under the variable rate cap until the fiscal year in which the State may pay a variable rate.

STATE BOND CAPS AND DEBT OUTSTANDING

Bond caps are legal authorizations to issue bonds to finance the State's capital projects. The caps can authorize bond financing of capital appropriations. As the bond cap for a particular programmatic purpose is reached, subsequent legislative changes are required to raise the statutory cap to the level necessary to meet the bondable capital needs, as permitted by a single or multi-year appropriation. The aggregate bond caps have increased by \$2.7 billion in FY 2013.

Debt authorizations for capital programs are either approved or enacted at one time, expected to be fully issued over time, or enacted annually by the Legislature and are usually consistent with bondable capital projects appropriations. Authorization does not, however, indicate intent to sell bonds for the entire amount of those authorizations, because capital appropriations often include projects that do not materialize or are financed from other sources. The amount of bonds authorized may be increased or decreased from time to time by the Legislature. In the case of general obligation debt, increases in the authorization must be approved by the voters. See Exhibit B for additional information.

FOR MORE INFORMATION

Additional information on the State's debt portfolio is available on DOB's public website (www.budget.ny.gov). The Investor's Guide section of the site contains information on New York State bonds including: the State's bond issuance schedule which is updated periodically; swap and variable rate capacity reports; variable rate trading activity; State PIT Revenue Bond debt service and debt outstanding; and swap performance reports.

STATE GOVERNMENT EMPLOYMENT

As of March 31, 2012, the State had approximately 184,141 full-time equivalent annual salaried employees funded from all funds including some part-time and temporary employees, off-budget agencies and university systems, but excluding seasonal, legislative and judicial employees. The workforce is now 20 percent smaller than it was in 1990, when it peaked at 230,600 positions. The State workforce is projected to total 185,919 positions at the end of FY 2013. The State workforce subject to direct Executive control is expected to total 121,841 full time equivalent positions at the end of FY 2013, a reduction of 9,900 from FY 2010 levels.

The State Public Employment Relations Board defines negotiating units for State employees. GOER conducts collective bargaining negotiations with the State's unions, with the exception of employees of the Judiciary, public authorities and the Legislature. Such negotiations include terms and conditions of employment, except pension benefits. The State has a five-year labor contract with the State's largest State employee union, CSEA, and a four-year labor contract with the State's second largest State employee union, PEF. Additionally, the State reached agreements with NYSPBA (representing the APSU bargaining unit, formerly ALES) for FY 2006 through FY 2015; the law enforcement unit of NYSCOPBA (non-arbitration eligible members) for FY 2010 through FY 2016; and Council 82 security supervisors 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.

While approximately 94 percent of the State workforce is unionized, the remainder of the workforce is designated as "managerial" or "confidential" (M/C) and is excluded from collective bargaining. The results of collective bargaining negotiations have historically been applied to all State employees within the Executive Branch. However, general salary increases were withheld from M/C employees in FY 2010 and FY 2011. Under the State's Taylor Law, the general statute governing public employee-employer relations in the State, employees are prohibited from striking. A strike against the State last occurred in 1979 by employees of the Department of Corrections and Community Supervision.

HISTORICAL SUMMARY OF EXECUTIVE BRANCH		
ANNUAL SALARIED FTEs		
ALL FUNDS		
Date	Subject to Direct Executive Control	Grand Total
3/31/2008	137,680	199,754
3/31/2009	136,490	199,916
3/31/2010	131,741	195,792
3/31/2011	125,787	188,511
3/31/2012	119,579	184,141

STATE GOVERNMENT EMPLOYMENT

Workforce Impact Summary

All Funds
2010-11 Through 2012-13

	2010-11 Actuals (03/31/11)	2011-12 Actuals (02/29/12)	2012-13 Estimate (03/31/13)
Major Agencies			
Children and Family Services, Office of	3,352	3,093	3,334
Corrections and Community Supervision, Department of	29,530	29,387	29,773
Education Department, State	2,735	2,590	2,765
Environmental Conservation, Department of	3,003	2,981	2,983
Financial Services, Department of	0	1,337	1,531
General Services, Office of	1,345	1,298	1,329
Health, Department of	4,995	4,761	5,120
Labor, Department of	3,953	3,717	3,526
Mental Health, Office of	15,727	14,822	15,362
Motor Vehicles, Department of	2,447	2,378	2,414
Parks, Recreation and Historic Preservation, Office of	1,800	1,735	1,736
Parole, Division of	1,863	0	0
People with Developmental Disabilities, Office for	21,221	20,299	20,604
State Police, Division of	5,435	5,187	5,236
Taxation and Finance, Department of	5,125	4,910	4,800
Temporary and Disability Assistance, Office of	2,159	2,039	2,266
Transportation, Department of	9,130	8,974	8,492
Workers' Compensation Board	1,364	1,306	1,371
Subtotal - Major Agencies	115,184	110,814	112,642
Minor Agencies	10,603	8,765	9,199
Subtotal - Subject to Direct Executive Control	125,787	119,579	121,841
University Systems			
City University of New York	12,844	12,961	12,747
State University Construction Fund	140	151	152
State University of New York	41,053	42,800	42,206
Subtotal - University Systems	54,037	55,912	55,105
Off-Budget Agencies			
Roswell Park Cancer Institute	2,025	2,025	2,025
Science, Technology and Innovation, NYS Foundation for	20	0	0
State Insurance Fund	2,545	2,518	2,536
Subtotal - Off-Budget Agencies	4,590	4,543	4,561
Independently Elected Agencies			
Audit and Control, Department of	2,444	2,410	2,614
Law, Department of	1,653	1,697	1,798
Subtotal - Independently Elected Agencies	4,097	4,107	4,412
Grand Total	188,511	184,141	185,919

Source - NYS DOB

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 NYSLRS’ CAFR 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 3,332 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 402,000 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, 2011, approximately 91 percent (579,104) of ERS members were in Tiers 3 and 4 and approximately 95 percent (33,091) 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. A total of 6,422 members retired under the Retirement Incentive Program with 399 participating employers electing to participate in Part A and 211 participating employers electing to participate in Part B. In addition, 5,453 members from participating employers retired under the Retirement Incentive Program.

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

STATE RETIREMENT SYSTEMS

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 on a stepped basis relative to each respective member's wages for their careers. 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.

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. In 2004 the State and local employers were authorized to amortize over ten years, at five percent interest, a portion of their annual bill for FY 2005, FY 2006 and FY 2007. As of March 31, 2011, the amortized amount receivable for FY 2005 from the State is \$229.4 million and from participating employers is \$48.5 million; the amortized amount receivable for FY 2006 from the State is \$87.7 million and from participating employers is \$17.2 million; and the amortized amount receivable for FY 2007 from participating employers is \$15.8 million. The State did not amortize any portion of its 2007 contributions. The State paid \$1,511.1 million in contributions (including Judiciary) for FY 2012 including amortization payments of approximately \$87.0 million for 2005 and 2006 bills.

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 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. In FY 2011, the State elected to amortize \$249.6 million, and 51 participating employers amortized a total of \$43.6 million. In FY 2012, the State elected to amortize \$562.9 million and 133 participating employers amortized a total of \$215.9 million. (see the section on "Other Matters Affecting the Financial Plan - Pension Amortization" in this AIS for DOB projections of amounts expected to be amortized in FY 2013 through FY 2021.)

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, 2011 were \$149.5 billion (including \$3.4 billion in receivables, which consist of employer contributions, member contributions, member loans, accrued interest and dividends, investment sales and other miscellaneous receivables), an increase of \$15.3 billion or 11.4 percent from the FY 2010 level of \$134.2 billion. The increase in net assets available for benefits from FY 2010 to FY 2011 reflects, in large part, equity market performance. 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. Based on unaudited data for invested assets, the Systems estimate an approximate gain of 5.9 percent for FY 2012.

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.⁶

The Systems report that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from \$186.8 billion on April 1, 2010 to \$194.3 billion (including \$80.8 billion for current retirees and beneficiaries) on April 1, 2011. The funding method used by the Systems anticipates that the net assets, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. Actuarially determined contributions

⁶ More detail on the CRF's asset allocation as of March 31, 2011, 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.

STATE RETIREMENT SYSTEMS

are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from net assets on April 1, 2011 in that amortized cost was used instead of market value for bonds and mortgages, and the non-fixed investments utilized a smoothing method which recognized 20 percent of unexpected gain for FY 2011, 40 percent of the unexpected gain for the FY 2010, 60 percent of the unexpected loss for FY 2009 and 80 percent of the unexpected gain for FY 2008. Actuarial assets increased from \$147.7 billion on April 1, 2010 to \$148.6 billion on April 1, 2011. The funded ratio, as of April 1, 2011, calculated by the System Actuary in August 2011 using the entry age normal funding method and actuarial assets, was 90 percent⁷.

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⁷ 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.

STATE RETIREMENT SYSTEMS

The tables that follow show net assets, benefits paid and the actuarially determined contributions that have been made over the last twelve 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	
2000	165	11	154	423	3,787
2001	215	112	103	319	4,267
2002	264	199	65	210	4,576
2003	652	378	274	219	5,030
2004	1,287	832	455	222	5,424
2005	2,965	1,877	1,088	227	5,691
2006	2,782	1,714	1,068	241	6,073
2007	2,718	1,730	988	250	6,432
2008	2,649	1,641	1,008	266	6,883
2009	2,456	1,567	889	273	7,265
2010	2,344	1,447	897	284	7,719
2011	4,165	2,406	1,759	286	8,520
2012 ⁴	4,940	3,112	1,828	306	8,904

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

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

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

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

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

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

Sources: State and Local Retirement Systems.

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

AUTHORITIES AND LOCALITIES

PUBLIC AUTHORITIES

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

As of December 31, 2011, each of the 17 authorities listed in the following table had outstanding debt of \$100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately \$163 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
(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
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	53,080	110,388	163,468

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

(1) Includes only authorities with \$100 million or more in outstanding debt which are reported as component units or joint ventures of the State in the Comprehensive Annual Financial Report (CAFR).

(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 Power 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 which 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, which was consolidated with the Dormitory Authority on September 1, 1995. The debt also includes \$220 million in bonds outstanding issued by the Dormitory Authority for Roswell 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 Long Island Power Authority (LIPA).

AUTHORITIES AND LOCALITIES

THE CITY OF NEW YORK

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

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

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

Source: Office of the State Comptroller.

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

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

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

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

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

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

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

OTHER LOCALITIES

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

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

Nassau County 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 2012 or thereafter.

Like the State, local governments must respond to changing political, economic and financial influences over which they have little or no control. Such changes may adversely affect the financial condition of certain local governments. For example, the State or Federal government may reduce (or in some cases eliminate) funding of some local programs or disallow certain claims which, in turn, may require local governments to fund these expenditures from their own resources. The loss of temporary Federal stimulus funding also adversely impacted counties and school districts in New York State. State cashflow problems in prior fiscal years have resulted in delays in the payment of State aid, and in some cases have necessitated borrowing by the localities. Additionally, recent enactment of legislation that caps most local government and school district property tax levies may affect the amount of property tax revenue available for local government and school district purposes. The legislation does not apply to New York City. Changes to sales tax distributions resulting from the 2010 Federal population census 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.

AUTHORITIES AND LOCALITIES

The following table summarizes the debt of New York City and all other New York State localities.

Debt of New York Localities(1)
(millions of dollars)

Locality Fiscal Year Ending	Combined		Other Localities Debt(3)		Total Locality Debt(3)	
	New York City Debt (2)		Bonds(4)	Notes(4)	Bonds(3)(4)	Notes(4)
	Bonds	Notes				
1980	12,995	0	6,835	1,793	19,830	1,793
1990	20,027	0	10,253	3,082	30,280	3,082
2000	39,244	515	19,082	4,005	58,326	4,520
2001	40,305	0	20,303	4,745	60,608	4,745
2002	42,721	2,200	21,721	5,184	64,442	7,384
2003	47,376	1,110	23,951	6,429	71,327	7,539
2004	50,265	0	26,684	4,979	76,949	4,979
2005	54,421	0	29,245	4,832	83,666	4,832
2006	55,381	0	30,752	4,755	86,133	4,755
2007	58,192	100	32,269	4,562	90,461	4,662
2008	59,120	67	33,565	5,470	92,685	5,537
2009	64,873	33	34,479	6,901	99,352	6,934
2010	69,494	0	35,955	7,302	105,449	7,302

Source: Office of the State Comptroller.

NOTE: For localities other than New York City, the amounts shown for fiscal years ending in 1990 may include debt that has been defeased through the issuance of refunding bonds.

(1) Because the State calculates locality debt differently for certain localities (including New York City), the figures above may vary from those reported by such localities. In addition, this table excludes indebtedness of certain local authorities and obligations issued in relation to State lease-purchase arrangements.

(2) Includes bonds issued by the Transitional Finance Authority, the Municipal Assistance Corporation, STAR Corporation, TSASC, Inc., the Hudson Yards Infrastructure Corporation, (as shown in the table "Debt of New York City" in the section of this document entitled "The City of New York"). Also included are the bonds of the Fiscal Year 2005 Securitization Corporation, the Industrial Development Agency, the Samurai Funding Corporation, the Dormitory Authority of the State of New York for education, health and court capital projects, and other long-term leases which will be repaid from revenues of the City or revenues which would otherwise be available to the City if not needed for debt service.

(3) Includes bonds issued by the localities and certain debt guaranteed by the localities and excludes capital lease obligations (for localities other than New York City), assets held in sinking funds and certain amounts available at the start of a fiscal year for redemption of debt. Starting in 2001, debt for other localities includes installment purchase contracts.

(4) Does not include the indebtedness of certain localities that did not file annual financial reports with the Comptroller.

LITIGATION AND ARBITRATION

GENERAL

The legal proceedings listed below involve State finances and programs and miscellaneous civil rights, real property, contract and other tort claims in which the State is a defendant and the potential monetary claims against the State are deemed to be material, generally in excess of \$100 million or involving significant challenges to or impacts on the State's financial policies or practices. As explained below, these proceedings could adversely affect the State's finances in FY 2013 or thereafter. The State intends to describe newly initiated proceedings which the State deems to be material and existing proceedings which the State subsequently deems to be material, as well as any material and adverse developments in the listed proceedings, in quarterly updates and/or supplements to this AIS.

For the purpose of this Litigation and Arbitration section of the AIS, the State defines "material and adverse developments" as rulings or decisions on or directly affecting the merits of a proceeding that have a significant adverse impact upon the State's ultimate legal position, and reversals of rulings or decisions on or directly affecting the merits of a proceeding in a significant manner, whether in favor of or adverse to the State's ultimate legal position. The State intends to discontinue disclosure with respect to any individual case after a final determination on the merits or upon a determination by the State that the case does not meet the materiality threshold described above.

The State is party to other claims and litigation, with respect to which its legal counsel has advised that it is not probable that the State will suffer adverse court decisions, or which the State has determined do not, considered on a case by case basis, meet the materiality threshold described in the first paragraph of this section. Although the amounts of potential losses, if any, resulting from these litigation matters are not presently determinable, it is the State's position that any potential liability in these litigation matters is not expected to have a material and adverse effect on the State's financial position in FY 2013 or thereafter. The Basic Financial Statements for FY 2012, which OSC is expected to issue in July 2012, will report possible and probable awarded and anticipated unfavorable judgments against the State.

Adverse developments in the proceedings described below, other proceedings for which there are unanticipated, unfavorable and material judgments, or the initiation of new proceedings could affect the ability of the State to maintain a balanced FY 2013 Financial Plan. The State believes that the FY 2013 Enacted Budget Financial Plan includes sufficient reserves to offset the costs associated with the payment of judgments that may be required during FY 2013. These reserves include (but are not limited to) amounts appropriated for Court of Claims payments and projected fund balances in the General Fund. In addition, any amounts ultimately required to be paid by the State may be subject to settlement or may be paid over a multi-year period. There can be no assurance, however, that adverse decisions in legal proceedings against the State would not exceed the amount of all potential FY 2013 Enacted Budget Financial Plan resources available for the payment of judgments, and could therefore adversely affect the ability of the State to maintain a balanced FY 2013 Enacted Budget Financial Plan.

REAL PROPERTY CLAIMS

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

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

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

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

In *Canadian St. Regis Band of Mohawk Indians, et al. v. State of New York, et al.* (NDNY), plaintiffs seek ejection 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 ejection, monetary damages, and declaratory and injunctive relief for its claim that approximately 3,600 acres in the Town of Southampton were illegally transferred from its predecessors-in-interest. On December 5, 2006, the District Court granted defendants' motion to dismiss, based on the *Sherrill* and *Cayuga* decisions. Plaintiff moved for reconsideration before the District Court and also appealed to the Second Circuit Court of Appeals. The motions for reconsideration and appeal have both been stayed pending resolution of the Second Circuit's dismissal of the *Oneida* land claim.

WEST VALLEY LITIGATION

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

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

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

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

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

METROPOLITAN TRANSPORTATION AUTHORITY

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

The defendants sought to change the venue of all of these cases to Albany County or New York County and venue has been changed in most of the cases. In *Mangano*, the Supreme Court, Nassau County denied defendants' motion for change of venue. An appeal of that order is proceeding and issue has not yet been joined in Supreme Court. In *Vanderhoef, Huntington, Floyd, Brookhaven, Southampton/Southold* and *Hampton*, the defendants moved for judgment in their favor. The plaintiffs in *Hampton* then voluntarily stipulated 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* and *Southampton/Southold*. The plaintiffs in *Brookhaven* and *Huntington* have appealed from those decisions.

SCHOOL AID

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

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

On January 14, 2011, the Court issued a joint order and decision dismissing both actions as moot because of the payments made after the commencement of the actions. On February 25, 2011, plaintiffs appealed to the Appellate Division, Third Department. 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 August 18, 2011, Supreme Court, Albany County granted the State's motion to stay all proceedings in the case until further order of the court or a decision from the Court of Appeals. The plaintiffs have filed a motion to have the stay vacated or modified to permit the continuation of depositions and the filing of a motion for partial summary judgment. In a Decision/Order dated December 6, 2011, Supreme Court, Albany County, granted plaintiffs' motion for renewal and modified the stay to the extent of permitting discovery to continue, but refused to allow plaintiffs to file a motion for partial summary judgment or any other dispositive motion. Depositions are being scheduled.

REPRESENTATIVE PAYEES

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

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

On June 4, 2010, the State moved for summary judgment against the individual claims on various grounds. By decision and order dated September 27, 2010, the Court of Claims (Ruderman, J.), granted the State's motion for summary judgment and dismissed the individual claims. The Court held that the State statutes relied on by claimants do not apply to Social Security benefits and that executive directors of OMH facilities are acting properly in accordance with the Social Security Act and applicable Federal regulations. Claimants served a notice of appeal on November 23, 2010. By decision and order dated January 17, 2012, the Appellate Division, Second Department, affirmed the decision of the Court of Claims. On March 2, 2012, claimants moved for leave to appeal to the Court of Appeals. On March 16, 2012, the State filed its papers opposing that motion.

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.*, in Supreme Court, Erie County, challenging the promulgation of regulations to implement the statutory voucher system intended to enable the State to collect taxes on certain sales of cigarettes on Indian reservations. Plaintiffs seek declaratory judgment that the regulations are void and temporary and permanent injunctions against enforcing both the regulations and the statutory provisions authorizing the voucher system. On June 8, 2011, Supreme Court, Erie County, issued an order granting defendants' motion for summary judgment and dismissing the complaint. On November 18, 2011, the Appellate Division, Fourth Department, affirmed. Plaintiff's motion for leave to appeal to the Court of Appeals was denied on February 21, 2012.

In July 2011, plaintiffs commenced *Akwesasne Convenience Store Association et al. v. State of New York*, in Supreme Court, Erie County, against the State of New York and other defendants, seeking a declaration that the statutory voucher system impermissibly burdens Indian commerce and is preempted by Federal law and further seeking to enjoin the implementation, administration or enforcement of the system. The court denied plaintiffs' request for a temporary restraining order and, by decision dated

August 18, 2011, also denied plaintiffs' subsequent motion for a preliminary injunction. Plaintiffs appealed to the Appellate Division, Fourth Department, which denied plaintiffs' motion for a preliminary injunction pending appeal on September 14, 2011. The appeal is pending. Defendants' motion for summary judgment in Supreme Court, Erie County, is pending.

CIVIL SERVICE LITIGATION

In *Simpson v. New York State Department of Civil Service et ano.*, plaintiffs have brought a class action under 42 U.S.C 2000d et seq., claiming that a civil service test administered between 1996 and 2006 resulted in a disparate impact upon the class. This case was settled on December 29, 2010, for \$45 million in damages and fees, payable in four equal annual installments, starting on or about April 1, 2011 or upon passage of the State budget. The settlement was approved following an April 15, 2011 fairness hearing. Payment of the second annual installment of the settlement proceeds is scheduled to begin in May 2012.

PUBLIC FINANCE

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

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

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

LITIGATION AND ARBITRATION

on the question of whether the Appellate Division erred by reversing the dismissal of the plaintiffs' cause of action under Article VII, § 8.

By opinion dated November 21, 2011, the Court of Appeals reversed the Appellate Division and dismissed the cause of action under Article VII, § 8. Plaintiffs' motion for reargument was denied and this case is now concluded.

EMINENT DOMAIN

In *Gyrodyne Company of America, Inc. v. State of New York* (Court of Claims), claimant seeks compensation under the Eminent Domain Procedures Law in connection with the appropriation by the State of 245 acres of land in connection with the expansion of SUNY Stony Brook. By decision dated June 21, 2010, the Court of Claims awarded claimant \$125 million as compensation for the appropriation. On September 13, 2010, the State appealed from the decision. In a decision dated November 22, 2011, the Appellate Division, Second Department, affirmed the decision of the Court of Claims. The State's motion for reargument or, in the alternative, leave to appeal to the Court of Appeals, was denied by the Second Department on February 17, 2012. On March 23, 2012, the State moved in the Court of Appeals for leave to appeal. That motion is pending.

INSURANCE DEPARTMENT ASSESSMENTS

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

TOBACCO MASTER SETTLEMENT AGREEMENT (MSA)

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

LITIGATION

Two actions have been filed in New York by parties challenging the MSA and portions of laws enacted by the State under the MSA. In *Freedom Holdings Inc. et al. v. Spitzer et ano.* (SDNY), two

cigarette importers alleged (1) violation of the Commerce Clause of the United States Constitution, (2) the establishment of an “output cartel” in conflict with the Sherman Act, (3) selective nonenforcement of the laws on Native American reservations in violation of the Equal Protection Clause of the United States Constitution, and (4) federal preemption. The Second Circuit affirmed the dismissal of this action and the United States Supreme Court denied certiorari to review that decision. Accordingly, this action is concluded.

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

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 will commence in May, with the hearings involving Missouri and Illinois. New York’s diligent enforcement hearing will take place June 25-29, 2012. State-specific hearings are scheduled for two weeks each month until June 2013.

EXHIBIT A TO AIS

SELECTED STATE GOVERNMENT SUMMARY

STATE GOVERNMENT ORGANIZATION

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

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

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

The Governor and Lieutenant Governor are elected jointly. The Comptroller and Attorney General are chosen separately by the voters during the election of the Governor. The Governor appoints the heads of most State departments, including the Director of the Budget (the current Director is Robert L. Megna). DOB is responsible for preparing the Governor's Executive Budget, negotiating that budget with the State Legislature, and implementing the budget once it is adopted, which includes updating the State's fiscal projections quarterly. DOB is also responsible for coordinating the State's capital program and debt financing activities. The Comptroller is responsible for auditing the disbursements, receipts and accounts of the State, as well as for auditing State departments, agencies, public authorities and municipalities. The Comptroller is also charged with managing the State's general obligation debt and most of its investments (see "Appropriations and Fiscal Controls" and "Investment of State Moneys" below). The Attorney General is the legal advisor to State departments, represents the State and certain public authorities in legal proceedings and opines upon the validity of all State general obligation bonds and notes.

The State Legislature is presently composed of a 62-member Senate⁸ and a 150-member Assembly, all elected from geographical districts for two-year terms, expiring December 31, 2012. Both the Senate and the Assembly operate on a committee system. The Legislature meets annually, generally for about six months, and remains formally in session the entire year. In recent years there have been special sessions, as well. The current majority leaders are President Pro Tempore Dean Skelos (Republican) in the Senate and Sheldon Silver (Democrat), Speaker of the Assembly. The minority leaders are John Sampson (Democrat) in the Senate and Brian Kolb (Republican) in the Assembly.

⁸ On May 3, 2012, the State's highest court, the Court of Appeals, approved the creation of a 63rd New York State Senate seat as advanced by the Senate majority and based on Census population changes.

APPROPRIATIONS AND FISCAL CONTROLS

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

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

Appropriations may be increased or decreased in accordance with statutory authority under certain circumstances by transfer, interchange or otherwise. In addition, appropriations may be increased or decreased by statutory amendment or by supplemental appropriations. Moneys or other financial resources from one fund may also be loaned to another fund, but only if such loan is repaid in full prior to the end of the month in which the loan was made, except as provided by law. Pursuant to authority contained in most State operations appropriations for FY 2013, the Director of the Budget is also allowed to interchange, transfer, or suballocate such appropriation authority to other agencies in order to achieve the consolidation and realignment of State operations.

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

EXHIBIT A - SELECTED STATE GOVERNMENT SUMMARY

INVESTMENT OF STATE MONEYS

The Comptroller is responsible for the investment of substantially all State moneys. By law, such moneys may be invested only in obligations issued or guaranteed by the Federal government or the State, obligations of certain Federal agencies that are not guaranteed by the Federal government, certain general obligations of other states, direct obligations of the State's municipalities and obligations of certain public authorities, certain short-term corporate obligations, certain bankers' acceptances, and certificates of deposit secured by legally qualified governmental securities. All securities in which the State invests moneys held by funds administered within the State Treasury must mature within twelve years of the date they are purchased. Money impounded by the Comptroller for payment of TRANs may only be invested, subject to the provisions of the State Finance Law, in (i) obligations of the Federal government, (ii) certificates of deposit secured by such obligations, or (iii) obligations of or obligations guaranteed by agencies of the Federal government as to which the payment of principal and interest is guaranteed by the Federal government.

The Comptroller invests General Fund moneys, bond proceeds, and other funds not immediately required to make payments through STIP, which is comprised of joint custody funds (Governmental Funds, Internal Service Funds, Enterprise Funds and Private Purpose Trust Funds), as well as several sole custody funds including the Tobacco Settlement Fund. The interest earnings accrued are allocated and deposited to the credit of those funds with positive balances that contribute to the overall invested STIP pool.

The Comptroller is authorized to make temporary loans from STIP to cover temporary cash shortfalls in certain funds and accounts resulting from the timing of receipts and disbursements. The Legislature authorizes the funds and accounts that may receive loans each year, based on legislation submitted with the Executive Budget. Loans may be granted only for amounts that the Director of the Budget certifies are "receivable on account" or can be repaid from the current operating receipts of the fund (i.e., loans cannot be granted in expectation of future revenue enhancements). The General Fund is authorized to receive temporary loans from STIP for a period not to exceed four months or the end of the fiscal year, whichever is shorter.

The State Comptroller repays loans from the first cash receipts into the borrowing fund or account. Fund balances outside the General Fund are presented on a net basis, i.e., they are reduced by the amount of outstanding temporary loans from STIP. The primary sources of the State's temporary loans include timing-related delays in the receipt from Federal Funds and the sale of bonds used to finance capital projects, a delinquent SUNY hospital loan, and unreimbursed costs related to the Office for Technology (OFT) Internal Service funds. The total outstanding balance of loans from STIP at March 31, 2012 was \$1.765 billion, an increase of \$109 million from the outstanding loan balance of \$1.656 billion at March 31, 2011.

EXHIBIT A- SELECTED STATE GOVERNMENT SUMMARY

ACCOUNTING PRACTICES, FINANCIAL REPORTING AND BUDGETING

Historically, the State has accounted for, reported and budgeted its operations on a cash basis. Under this form of accounting, receipts are recorded at the time money or checks are deposited in the State Treasury, and disbursements are recorded at the time a check or electronic payment is released. As a result, actions and circumstances, including discretionary decisions by certain governmental officials, can affect the timing of payments and deposits and therefore can significantly affect the cash amounts reported in a fiscal year. Under cash-basis accounting, all estimates and projections of State receipts and disbursements relating to a particular fiscal year are of amounts to be deposited in or disbursed from the State Treasury during that fiscal year, regardless of the fiscal period to which particular receipts or disbursements may otherwise be attributable.

The State also has an accounting and financial reporting system based on GAAP and currently formulates a GAAP financial plan. GAAP for governmental entities requires use of the accrual basis of accounting for the government-wide financial statements which includes governmental and business-type activities and component units. Revenues are recorded when they are estimated to have been earned and expenses are recorded when a liability is estimated to have been incurred, regardless of the timing of related cash flows. Governmental fund financial statements are prepared using the modified accrual basis of accounting. Under modified accrual procedures, revenues are recorded when they become both measurable and available within 12 months of the end of the current fiscal period to finance expenditures; expenditures are recorded in the accounting period for which the liability is incurred to the extent it is expected to be paid within the next 12 months with the exception of expenditures such as debt service, compensated absences, and claims and judgments. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Non-exchange grants and subsidies such as local assistance grants and public benefit corporation subsidies are recognized as expenditures when all requirements of the grant and or subsidy have been satisfied.

EXHIBIT B TO AIS

STATE-RELATED BOND AUTHORIZATIONS

STATE-RELATED DEBT FY 2012 BOND CAPS AND DEBT OUTSTANDING (millions of dollars) (1)

	Type of Cap (Gross or Net)*	Program	FY 2013 Bond Caps	Authorized But Unissued (2)	Debt Outstanding (3) As of 3/31/12
Education:					
	Gross	SUNY Educational Facilities (4)	10,304	2,832	6,852
	Net	SUNY Dormitory Facilities (5)	1,561	327	1,364
	Net	SUNY Upstate Community Colleges (5)	623	266	664
	Gross	CUNY Educational Facilities (6)	6,843	1,446	4,100
	Net	State Ed Department Facilities (7)	0	0	52
	Gross	Library for the Blind	16	0	2
	Net	SUNY Athletic Facilities	22	0	16
	Net	RESCUE	195	0	63
	Net	University Facilities (Jobs 2000)	48	1	10
	Net	School District Capital Outlay Grants	140	40	0
	Net	Judicial Training Institute	16	0	9
	Net	Transportation Transition Grants	80	12	0
	Net	Public Broadcasting Facilities	15	0	7
	Net	Higher Education Capital Matching Grants	150	24	95
	Net	EXCEL	2,600	184	2,077
	Net	Library Facilities	98	28	56
	Net	Cultural Education Storage Facilities	79	69	9
	Net	State Longitudinal Data System	20	15	5
	Net	SUNY 2020 Challenge Grants	110	110	0
Environment:					
	Net	Environmental Infrastructure Projects (8)	1,119	326	633
	Net	Hazardous Waste Remediation	1,200	693	456
	Net	Riverbank State Park	78	18	41
	Net	Water Pollution Control (SRF)	700	167	42
	Net	State Park Infrastructure	30	0	1
	Net	Pipeline for Jobs (Jobs 2000)	34	2	4
	Net	Long Island Pine Barrens	15	0	6
	Net	Pilgrim Sewage Plant	11	0	3
State Building/Equipment/Public Protection:					
	Net	Empire State Plaza	133	13	0
	Net	State Capital Projects (Attica)	200	0	142
	Net	Division of State Police Facilities	114	33	76
	Net	Division of Military & Naval Affairs	24	6	16
	Net	Alfred E. Smith Building	89	0	61
	Net	Sheridan Ave. (Elk St.) Parking Garage	25	0	22
	Net	State Office Buildings and Other Facilities	206	40	143
	Net	Judiciary Improvements	38	1	24
	Net	OSC State Buildings	52	0	29
	Net	Albany Parking Garage (East)	41	0	29
	Net	OGS State Buildings and Other Facilities (9)	140	26	105
	Net	Equipment Acquisition (COPs) (10)	784	106	305
	Net	Food Laboratory	40	10	29
	Net	OFT Facilities	21	18	3
	Net	Courthouse Improvements	76	37	34
	Gross	Prison Facilities	6,817	615	4,617
	Net	Homeland Security	67	30	28
	Gross	Youth Facilities	430	64	188
	Net	NYRA Land Acquisition/VLT Construction	355	0	261

EXHIBIT B - STATE-RELATED BOND AUTHORIZATIONS

STATE-RELATED DEBT FY 2012 BOND CAPS AND DEBT OUTSTANDING (millions of dollars) (1)

Type of Cap (Gross or Net)*	Program	FY 2013 Bond Caps	Authorized But Unissued (2)	Debt Outstanding (3) As of 3/31/12	
Economic Development:					
Gross	Housing Capital Programs	2,741	382	1,571	
Net	Community Enhancement Facilities (CEFAP)	424	48	57	
Net	University Technology Centers (incl. HEAT)(11)	248	13	55	
Gross	Onondaga Convention Center	40	0	26	
Net	Sports Facilities	145	0	76	
Net	Child Care Facilities	30	1	14	
Net	Bio-Tech Facilities	10	10	0	
Net	Strategic Investment Program	216	21	28	
Net	Regional Economic Development (Fund 002) (12)	1,190	58	437	
Net	NYS Economic Development (2004) (13)	346	17	245	
Net	Regional Economic Development (2004) (14)	243	221	20	
Net	High Technology and Development	249	70	141	
Net	Regional Economic Development/SPUR	90	27	37	
Net	Buffalo Inner Harbor	50	23	22	
Net	Jobs Now	14	1	0	
Net	Economic Development 2006 (Various) (15)	2,310	518	1,568	
Net	Javits Convention Center (Expansion '06)	350	350	0	
Net	Queens Stadium (Mets)	75	0	58	
Net	Bronx Stadium (Yankees)	75	0	60	
Net	NYS Ec Dev Stadium Parking ('06)	75	71	4	
Net	State Modernization Projects (RIOC Tram, etc.)	50	15	22	
Net	Int. Computer Chip Research and Dev. Center	300	0	224	
Net	2008 and 2009 Economic Development Initiatives	1,269	414	700	
Net	H.H. Richardson Complex/Darwin Martin House	84	57	23	
Net	2011 Economic Development Initiatives	711	711	0	
Health/Mental Hygiene:					
Net	Department of Health Facilities (inc. Axelrod)	495	3	322	
Gross	Mental Health Facilities	7,367	1,045	4,070	
Net	HEAL NY Capital Program	750	385	296	
Transportation:					
Gross	Consolidated Highway Improvement Program (CHIPS)	7,106	906	3,817	
Net	Dedicated Highway & Bridge Trust	16,500	4,882	7,566	
Net	High Speed Rail	22	22	0	
Net	Albany County Airport	40	1	18	
Net	Peace Bridge	15	15	0	
Net	MTA Transportation Facilities	770	770	0	
N/A	MTA Service Contract	2,005	0	2,005	
LGAC	Net	Local Government Assistance Corporation	4,700	0	3,119
GO	Gross	General Obligation	16,985	1,342	3,494
Total State-Supported Debt		103,847	19,957	52,773	
Other State Financings:					
				2,690	
	Tobacco Settlement Financing Corporation Bonds			368	
	MBBA Special Purpose School Aid Bonds			381	
	Capital Lease and Mortgage Loan Commitments (16)			542	
	Other (17)			542	
Total State-Related Debt				56,754	

* Gross caps include cost of issuance fees. Net caps do not.

Source: NYS DOB

- (1) Includes only authorized programs that are active at March 31, 2012 or have outstanding program balances or both.
- (2) Amounts issued may exceed the stated amount authorized by premiums, by providing for the cost of issuance, reserve fund requirements and, in certain circumstances, refunding bonds. In some cases, Authorized but Unissued bond cap amounts have been reduced by the higher of (i) net bond proceeds available to fund program, or (ii) par amount of bonds issued.
- (3) Amounts outstanding reflect original par amounts or original gross proceeds in the case of capital appreciation bonds.
- (4) Authorization also includes any amount necessary to refund outstanding Housing Finance Agency State University Construction Bonds, all of which have been refunded.
- (5) Authorization applies to bonds issued after March 31, 2002, prior to that date there was no limit.
- (6) The amount outstanding includes CUNY Community Colleges bonds for which the State pays debt service. The total amount authorized for CUNY Senior Colleges was unlimited for resolutions adopted prior to 7/1/85 and limited to \$6.843 billion for both CUNY Senior and CUNY Community Colleges for resolutions adopted after 7/1/85.
- (7) Legislation enacted in May 2002 prohibits further issuance of bonds for this purpose, except for refunding purposes.
- (8) Includes bonds issued for West Valley, DEC Environmental Infrastructure Projects, Environmental Protection Fund, Onondaga Lake, and the Office of Parks and Recreation and Historic Preservation.
- (9) Includes debt outstanding for Office of General Services Buildings: 44 Holland Ave., 50 Wolf Rd., 625 Broadway Ave., Hampton Plaza, and DOT Region 1.
- (10) Authorized amounts includes Certificates of Participation, which have been issued as bonds after March 31, 2003.
- (11) Includes authorizations for Science and Technology Center (Syracuse), Super Computer Center (Cornell), Center for Telecommunications (Columbia), HEAT, Center for Industrial Innovation (City of Troy), Center for Advanced materials (Clarkson), Center for Electro-Optic (Rochester), Center for Neural Sciences (NYU) and Center for Incubator Facilities.
- (12) Includes bonds issued for Community Capital Assistance Program (CCAP), Rebuilding the Empire State Through Opportunities in Regional Economies Program (RESTORE), Empire Opportunity Fund (EOF), Generating Employment Through New York Science Program (Gen*NY*sis), Multi-Modal Transportation Program, and Center of Excellence Program (Laws of 2002).
- (13) Includes bonds to be issued for economic development projects outside cities of 1 million or more in population.
- (14) Includes bonds issued for the EOF, RESTORE and CCAP.
- (15) Includes bonds to be issued for economic development and environmental projects.
- (16) Estimated.
- (17) Includes bonds issued for Secured Hospital Program, HFA and MCFFA Moral Obligation Bonds, and the JDA State-guaranteed bonds.

EXHIBIT C TO AIS

GAAP-BASIS FINANCIAL PLAN

The State Budget is required to be balanced on a cash basis, which is DOB's primary focus in preparing and implementing the State Financial Plan. State Finance Law also requires the Financial Plan be presented for informational purposes on a GAAP basis. The GAAP-basis plans follow, to the extent practicable, the accounting principles applied by OSC in preparation of the annual Financial Statements. In practice, this means the GAAP-basis Financial Plans reflect the accrual methodology and fund classification rules used by OSC. A table reflecting GAAP basis General Fund Financial Plan projections is provided at the end of this section.

In FY 2013, the General Fund GAAP Financial Plan shows total projected revenues of \$50.5 billion, total projected expenditures of \$60.1 billion, and net other financing sources of \$9.4 billion, resulting in a projected operating deficit of \$117 million. These projections reflect the net impact of the Enacted Budget gap-closing actions.

Please see "GAAP-Basis Results for Prior Fiscal Years" for a summary of recent audited operating results.

**GAAP FINANCIAL PLAN
GENERAL FUND
FY 2013 THROUGH FY 2016
(millions of dollars)**

	<u>FY 2013 Enacted</u>	<u>FY 2014 Projected</u>	<u>FY 2015 Projected</u>	<u>FY 2016 Projected</u>
Revenues:				
Taxes:				
Personal income tax	26,972	28,162	29,504	30,193
User taxes and fees	9,284	9,647	10,067	10,428
Business taxes	6,047	6,213	5,679	6,311
Other taxes	1,139	1,196	1,222	1,222
Miscellaneous revenues	7,017	6,225	5,638	5,786
Federal grants	60	2	0	0
Total revenues	<u>50,519</u>	<u>51,445</u>	<u>52,110</u>	<u>53,940</u>
Expenditures:				
Grants to local governments	42,345	44,561	46,161	47,854
State operations	11,876	11,582	12,008	12,459
General State charges	5,845	6,551	6,968	7,399
Debt service	0	0	0	0
Capital projects	0	0	0	0
Total expenditures	<u>60,066</u>	<u>62,694</u>	<u>65,137</u>	<u>67,712</u>
Other financing sources (uses):				
Transfers from other funds	15,061	15,767	15,639	15,693
Transfers to other funds	(6,034)	(6,228)	(6,352)	(6,281)
Proceeds from financing arrangements/ advance refundings	403	400	400	400
Net other financing sources (uses)	<u>9,430</u>	<u>9,939</u>	<u>9,687</u>	<u>9,812</u>
Operating Surplus/(Deficit)	<u>(117)</u>	<u>(1,310)</u>	<u>(3,340)</u>	<u>(3,960)</u>

Source: NYS DOB

EXHIBIT D TO AIS

PRINCIPAL STATE TAXES AND FEES

Personal income taxes are imposed on the New York source income of individuals, estates and trusts. Personal income taxes are projected to account for roughly 61 percent of All Government Funds tax receipts during FY 2013. The State tax adheres closely to the definitions of adjusted gross income and itemized deductions used for Federal PIT purposes, with certain modifications. Receipts from this tax are sensitive to changes in economic conditions in the State and to taxpayers' responses to Federal and State law changes. New York allows a standard deduction of \$15,000 for married couples filing jointly, with lower deductions for the other types of filers. New York also allows a \$1,000 exemption for dependents. For tax years 2009 through 2011, the tax rate schedule had seven tax brackets which, for married couples filing jointly, started at 4 percent for taxable income below \$16,000 and increased to 8.97 percent on taxable income over \$500,000. There were comparable tax rate schedules for heads of households, single individuals, and married couples filing separately. For tax years 2012 to 2014, four new tax brackets and rates replaced the former bracket and rate applicable to taxpayers with taxable income above \$40,000 for married filing jointly returns (with lower levels for other filing categories). The tax rate for taxpayers (married filing jointly returns) with taxable income in the \$40,000 to \$150,000 and \$150,000 to \$300,000 brackets has been lowered to 6.45 percent and 6.65 percent, respectively, while rates on the \$300,000 to \$2 million tax bracket remained unchanged from 2008 law at 6.85 percent. The top rate for those earning \$2 million and above (married filing jointly returns) has been increased to 8.82 percent. The tax brackets and standard deduction amounts were also indexed to the Consumer Price Index (CPI) starting in tax year 2013. After 2014, the rate is scheduled to revert to the pre-2009 schedule of five tax intervals, ranging from 4 percent to 6.85 percent on taxable income over \$40,000 for married couples filing jointly.

Beginning in tax year 2009, taxpayers with incomes above \$1 million are limited to deducting 50 percent of their Federal charitable contributions as their only New York itemized deduction. For tax years 2010 through 2012, taxpayers with incomes above \$10 million may deduct only 25 percent of their Federal charitable contributions deductions as their only itemized deduction.

New York also allows several credits against the tax. The most significant are the: Empire State Child Credit (generally equal to one-third of the Federal child tax credit), household credit, credit for taxes paid to other states, investment tax credit, various Empire Zone credits, child and dependent care credit, real property tax circuit breaker credit, earned income tax credit, long-term care insurance credit, and college tuition credit. For tax years 2010 through 2012, business taxpayers must defer the usage of certain business-related tax credits if they exceed \$2 million in aggregate. Such taxpayers can begin to use the deferred nonrefundable payout credit in tax year 2013. For refundable credits, taxpayers can claim 50 percent of deferred amounts in tax year 2013, 75 percent of the remainder in 2014, and the entire remainder in 2015.

In 2001, legislation was enacted to provide for the issuance of State PIT Revenue Bonds, which has become the primary financing vehicle for a broad range of existing State-supported debt programs previously secured by service contract or lease-purchase payments. The first bonds were issued in May 2002. The legislation provided that 25 percent of PIT receipts (excluding refunds owed to taxpayers and deposits to the STAR Fund) be deposited to the RBTF for purposes of making debt service payments on the bonds, with excess amounts transferred to the General Fund. Legislation enacted with the FY 2008 budget provided that the RBTF will be calculated based on 25 percent of PIT receipts (excluding refunds owed to taxpayers, but before deposits to the STAR fund).

EXHIBIT D - PRINCIPAL STATE TAXES AND FEES

In the event that (i) the State Legislature fails to appropriate amounts required to make all debt service payments on the State PIT Revenue Bonds or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on the bonds, the legislation requires that PIT receipts continue to be deposited to the RBTF until amounts on deposit in the Fund equal the greater of 25 percent of annual PIT receipts or \$6 billion.

User taxes and fees consist of several taxes on consumption, the largest of which is the State sales and compensating use tax. The following discussion describes these taxes and summarizes significant revenue actions taken since 2006. The *sales and use tax* is imposed, in general, on the receipts from the sale of all tangible personal property unless exempted, and all services are exempt unless specifically enumerated. Certain charges for meals, admissions, hotel and motel occupancy and dues are also subject to the tax. The current State sales tax rate is 4.0 percent, of which 3.0 percent is deposited in the General Fund and 1.0 percent is deposited in the Local Government Assistance Tax Fund to meet debt service obligations. Receipts in excess of debt service requirements are transferred to the General Fund. Although there are numerous exemptions, the most significant are: food; clothing and footwear costing less than \$110 (also see discussion below); drugs; medicine and medical supplies; residential energy; capital improvements and installation charges; machinery and equipment used in manufacturing; trade-in allowances; and goods sold to Federal, State or local governments. Legislation enacted in 2006 increased the vendor credit and capped the State sales tax on motor fuel at 8 cents per gallon effective June 1, 2006. Legislation enacted in 2008 required non-profit tax-exempt organizations to collect sales tax on additional retail sales and rentals or leases of tangible personal property, included a vendor registration program (vendors must register and pay a \$50 fee except for new registrations or small businesses) and created an evidentiary presumption that certain sellers using New York residents to solicit sales in the State are vendors required to collect sales and use tax. Legislation enacted in 2009 expanded the definition of “affiliate nexus”, imposed the sales tax on certain transportation services, narrowed the exemption for commercial aircraft, narrowed the use tax exemption for motor vehicles and vessels, increased the tax rate on passenger car rentals, and increased the pre-paid sales tax rate on cigarettes. Legislation enacted in 2010 temporarily eliminated the State sales and use tax exemption on items of clothing and footwear priced under \$110 for the period October 1, 2010, through March 31, 2011. From April 1, 2011, through March 31, 2012, the State exemption was \$55 and thereafter the \$110 exemption is reinstated. Additionally, hotel room remarketers were required to remit the sales and use tax on the price differential between the discounted rate they pay and the rate the final consumer pays, the vendor credit was eliminated for monthly filers, provisions allowing private label credit cards to claim a credit for uncollectible debts were repealed, affiliate nexus provisions affecting vendors were narrowed, and certain New York City livery services were exempted from the tax. Legislation enacted in 2011, and extended in 2012, authorized the Tax Modernization Project.

The State imposes a *tax on cigarettes* at the rate of \$4.35 per package of 20 cigarettes and imposes a *tax on other tobacco products* equal to 75 percent of the wholesale price. The tax on cigarettes was raised from \$1.50 per pack to \$2.75 on June 3, 2008, and to \$4.35 per pack on July 1, 2010. The revenue derived from the tax is split, with 24 percent of receipts deposited in the General Fund and the balance deposited in the Tobacco Control and Insurance Initiatives Pool established by the HCRA of 2000. In 2008, certain tobacco products were converted from price-based taxes to weight-based taxes. The tobacco products tax was raised from 37 percent to 46 percent in April 2009, and to 75 percent in August 2010. Legislation enacted in 2011 changed the annual fees imposed on retailers from a graduated structure based on gross sales to a flat \$300 per retailer (\$100 per vending machine).

Motor fuel and diesel motor fuel taxes are levied at 8 cents per gallon upon the sale, generally for highway use, of gasoline and diesel fuel. All motor fuel taxes have been deposited in the dedicated transportation funds since April 1, 2001. Legislation enacted in 2008 allows the Commissioner of Taxation and Finance to work and enter into an agreement with transportation-related agencies to use

EXHIBIT D - PRINCIPAL STATE TAXES AND FEES

technology to reduce the bootlegging of fuel. Legislation enacted in 2011 modernized motor fuel, diesel motor fuel and e-85 definitions to reflect changes in the fuels marketplace.

The State imposes *alcoholic beverage excise taxes* at various rates on liquor, beer, wine and specialty beverages. Legislation enacted in 2009 increased the tax rate on beer to 14 cents per gallon and increased the tax rate on wine to 30 cents per gallon.

The *highway use tax* revenue is derived from three sources: the truck mileage tax, related highway use permit fees and the fuel use tax. The truck mileage tax is levied on commercial vehicles, at rates graduated by vehicle weight, based on miles traveled on State highways. Highway use registration certificates (original or renewed) are \$15. The fuel use tax is an equitable complement to the State's motor fuel tax and sales tax paid by those who purchase fuel outside but consumed in New York. It is levied on commercial vehicles having three or more axles or a gross vehicle weight of more than 26,000 pounds. Currently, all collections from the highway use tax are deposited in the DHBTF. Legislation enacted in 2007 replaced the current highway use permit system with a registration system. Legislation enacted in 2009 reauthorized the Commissioner of the Tax Department to require highway use tax decals on the exterior of all vehicles, and increased the decal renewal fee from \$4 to \$15 per vehicle.

The State imposes an *auto rental tax* on charges for any rental of passenger cars rented or used in the State, subject to certain exceptions including leases covering a period of one year or more. Effective April 1, 2002, all auto rental tax receipts are deposited in the dedicated transportation funds. Legislation enacted in 2009 increased the tax rate from 5 percent to 6 percent and imposed a supplemental tax at a rate of 5 percent in the Metropolitan Commuter Transportation District.

Business taxes include a general business corporation franchise tax as well as specialized franchise taxes on banks, insurance companies, certain transportation and transmission companies, and a cents-per-gallon-based levy on businesses engaged in the sale or importation for sale of various petroleum products. The discussion below describes each tax and summarizes significant legislation enacted since 2006.

The *corporation franchise tax* is the largest of the business taxes, and the State's third largest source of revenue. It is imposed on all domestic general business corporations and foreign general business corporations which do business or conduct certain other activities in the State. The tax is imposed, generally, at a rate of 7.1 percent of taxable income allocated to New York. Taxable income is defined as Federal taxable income with certain modifications.

Legislation enacted in 2006 eliminated the S-corporation differential; extended and increased the Empire State Film Production Credit and authorized a new Empire State Commercial Production Credit and a new credit for the production of alternative bio-fuels; accelerated the authorization of six of the remaining nine Empire Zones initially authorized in 2005, and provided zone benefits to enterprises that make substantial investments in regionally significant projects; and increased the low income housing credit from \$8 million to \$12 million.

Legislation enacted in 2007 provided that taxpayers operating on a unitary basis file a combined report if substantial inter-corporate transactions occur amongst affiliates; lowered the rate on Entire Net Income (ENI) to 7.1 percent for general businesses and to 6.5 percent for manufacturers; lowered the alternative minimum tax rate to 1.5 percent; increased the low income housing credit from \$12 million to \$16 million; and closed the real estate investment trust loophole.

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Legislation enacted in 2008 restructured minimum taxes on corporations and the capital base tax; extended the MTA surcharge for four additional years; decoupled New York State from the Federal Qualified Production Activity Income (QPAI) deduction provided under Internal Revenue Code section 199; changed the first installment of tax from 25 percent to 30 percent; extended and increased the Empire State film production credit; extended the investment tax credit for financial services for three additional years; increased the low-income housing credit allocation by \$4 million; extended tax shelter reporting requirements for two years; and established a voluntary disclosure and compliance initiative program to encourage eligible taxpayers to enter into compliance agreements with the Department of Taxation and Finance.

Legislation enacted in 2009 made changes to the tax treatment of captive insurance companies by providing special rules for overcapitalized captive insurance companies. The legislation required that an overcapitalized captive insurance company file a combined report with the corporation that directly owns or controls over 50 percent of the voting stock of the captive if that corporation is either an article 9 or an article 32 taxpayer. Additionally, for-profit HMOs were taxed under the insurance tax. Previously they were taxed under the corporation franchise tax. The mandatory first installment that applies to large taxpayers was increased from 30 percent to 40 percent of the prior year's tax. The Empire Zones Program was reformed requiring a performance review of all companies that had been certified in the program for at least three years. Companies not meeting a 1:1 benefit-cost ratio, or that reincorporated for the purpose of maximizing tax benefits were not allowed to claim further benefits. An additional \$350 million was allocated to the Empire State film production credit program for 2009. In addition, for tax years beginning on or after January 1, 2009 all film tax credit claims will be paid across several years based on the amount of the credit claimed. Two seldom used tax credits, the fuel cell generating equipment credit and the transportation improvement contribution credit were repealed effective with tax year 2009. The low income housing credit authorization was increased by an additional \$4 million for a total of \$24 million.

Legislation enacted in 2010 increased the low income housing credit authorization by an additional \$4 million for a total of \$28 million; enacted a deferral of business related tax credits (see description under "personal income taxes"); and made technical corrections to the FY 2010 Enacted Budget Empire Zones Program to clarify legislative intent for decertifications retroactive to 2008, clarified reporting changes and allowed certified projects to claim the investment tax credit and the employee incentive tax credit after June 30, 2010. The Film tax credit was extended and expanded. An additional \$420 million per year was allocated for tax years 2010 through 2014. A portion of this allocation (\$7 million) was dedicated to a new post production credit. The film tax credit legislation also imposed various reforms to enhance the State's return on investment. The Excelsior Jobs Program was established to provide incentives based on job creation, investment and research and development expenditures in New York State.

Legislation enacted in 2011 increased the low income housing credit authorization by an additional \$4 million for a total of \$32 million; extended tax shelter reporting requirements for an additional four years to July 1, 2015; extended the financial services investment tax credit for an additional four years to October 1, 2015; enhanced the Excelsior Jobs Program; extended the Federal Gramm-Leach-Bliley Act transition provisions for an additional two years; and created the Economic Transformation and Facility Redevelopment Program to provide tax credits to communities impacted by correctional and youth facility closures.

Legislation enacted in 2012 extends and increases the low income housing credit by \$8 million annually for tax years 2012 and 2013; extends the television commercial production credit through 2014 and redistributes the annual allocation between the statewide pool and the upstate pool; extends the bio-fuel production credit through tax year 2019; and extends and amends the Gramm-Leach-Bliley

EXHIBIT D - PRINCIPAL STATE TAXES AND FEES

provisions for an additional two years, through tax year 2014. The amendment to the Gramm-Leach-Bliley provisions requires that a corporation previously taxed as a bank under Gramm-Leach-Bliley be taxed as a bank only if it meets the current law definition of a bank.

Receipts from the *corporation* and *utilities taxes* are primarily attributable to taxes imposed on transportation and transmission companies, utility services and telecommunication services.

Legislation enacted in 2008 extended the MTA surcharge for four additional years. Legislation enacted in 2009 increased the mandatory first installment payment from 30 percent to 40 percent. Legislation enacted in 2011 extends the Power for Jobs Program for two years, then replaces it with the "Recharge New York" program.

Insurance taxes are imposed on insurance corporations, insurance brokers and certain insured that operate in New York State. Non life-insurers are subject to a premiums tax. Accident and health premiums are taxed at the rate of 1.75 percent and all other premiums are taxed at the rate of 2 percent. The insurance tax on life insurers ranges between 1.5 percent and 2.0 percent of premiums after taking into account the tax on their income allocated to New York State. Other taxes are imposed on certain brokers and independently procured insurance.

Legislation enacted in 2006 amended the method in which life insurance companies calculate their taxes when more than 95 percent of their total premiums consist of annuity premiums. Legislation enacted in 2007 lowered the rate on ENI to 7.1 percent for life insurers. Legislation enacted in 2008 extended the MTA surcharge for four additional years. In 2009, legislation was enacted that increased the mandatory first installment payment from 30 percent to 40 percent, clarified that captive insurance companies receiving 50 percent or less of their gross receipts from insurance premiums must file a combined return with their closest affiliated taxpayer, and imposed a 1.75 percent premiums tax on for-profit health maintenance organizations.

Legislation enacted in 2010 allowed insurance companies to claim the nonresidential historic properties tax credit. Legislation enacted in 2011 conformed the taxes on executive lines and direct writings with requirements enacted in the 2010 Federal Dodd-Frank financial reform legislation.

The State imposes a *franchise tax on banking corporations* at a basic tax rate of 7.1 percent of entire net income with certain exclusions, and subject to special rates for institutions. Legislation enacted in 2007 closed the real estate investment trust loophole for banks with assets of more than \$8 billion; required certain grandfathered Article 9-A subsidiaries to be taxed under Article 32; lowered the ENI rate to 7.1 percent; and extended certain 1985 provisions and Gramm-Leach-Bliley Act conforming provisions for two years. Legislation enacted in 2008 provided that certain credit card companies doing business in New York State would be subject to the bank tax; extended the MTA surcharge for four additional years; and established a voluntary disclosure and compliance initiative program to encourage eligible taxpayers to enter into compliance agreements with the Department of Taxation and Finance. In 2009, legislation was enacted that increased the mandatory first installment payment from 30 percent to 40 percent, and reformed the Empire Zones program by decertifying firms that fail a 1:1 benefit-cost ratio or that re-incorporated to maximize tax benefits without making any new investments or creating any new jobs.

Legislation enacted in 2010 allowed banks to claim the nonresidential historic properties tax credit; extended for one year the bank tax reform provisions from 1985 to 1987 and the temporary Gramm-Leach-Bliley Act conforming provisions; conformed the State bank bad debt deduction for bad debts to the calculations provided for in the Internal Revenue Code for Federal tax purposes; and made permanent the provisions that addressed the closely-held Real Estate Investment trusts and Regulated Investment Companies (RIC) loophole, which would have otherwise expired on December 31, 2010.

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Legislation enacted in 2011 extended the Federal Gramm-Leach-Bliley Act transition provisions for an additional two years and made the bank tax provisions from 1985 and 1987 permanent. The bank tax provisions were previously extended numerous times on a temporary basis with the Gramm-Leach-Bliley transition provisions.

Legislation enacted in 2012 extends and amends the Gramm-Leach-Bliley provision for an additional two years, through tax year 2014. The amendment to the Gramm-Leach-Bliley provisions requires that a corporation previously taxed as a bank under Gramm-Leach-Bliley be taxed as a bank only if it meets the current law definition of a bank.

The State imposes a *petroleum business tax* on the privilege of operating a petroleum business in the State. This tax is measured by the quantity of various petroleum products imported into the State for sale or use. The tax is imposed at various cents-per-gallon rates depending on the type of petroleum product. The cents-per-gallon tax rates are indexed to reflect petroleum price changes but are limited to changes of no more than 5 percent of the tax rate in any one year. Legislation enacted in 2008 allows the Commissioner of Taxation and Finance to work and enter into an agreement with the DMV, DEC, Thruway Authority, NYS Bridge Authority, and the Port Authority of New York and New Jersey to use technology to reduce the bootlegging of fuel. Legislation enacted in 2011 modernizes fuel definitions to adapt the petroleum business taxes to Federal and State statutory and regulatory changes that address certain environmental concerns.

Other tax revenues include taxes on pari-mutuel wagering, the estate tax, taxes on real estate transfers, certain other minor taxes, and residual receipts following the repeal of the real property gains tax and the gift tax.

The State imposes an *estate tax* on the estates of deceased New York residents, and on that part of a nonresident's net estate made up of real and tangible personal property located within New York State. Estate tax liability is computed on the basis of the Federal definition of "gross estate" and is set equal to the Federal credit for Federal estate tax liability allowable for State estate taxes paid as it existed on July 22, 1998. Reflecting the composition of many decedents' estates in New York, collections of this tax are heavily influenced by fluctuations in the value of common stock. New York has not conformed to the most recent changes in Federal law and thus the base of the tax is, in general, unaffected by such changes.

The *real estate transfer tax* applies to each real property conveyance, subject to certain exceptions, at a rate of \$2 for each \$500 of consideration or fraction thereof. Pursuant to statute, beginning in State fiscal year 2007-08, \$212 million of real estate transfer tax receipts are deposited in the EPF and the remaining receipts are deposited in the CW/CA Debt Service Fund. In 2008-09, \$237 million was deposited into the EPF, and \$199 million was deposited in 2009-10. Receipts in excess of the debt service requirements are transferred back to the General Fund. The 2010-11 Enacted Budget reduced the statutorily fixed deposit to the EPF from \$199.3 million to \$119.1 million.

The State levies *pari-mutuel taxes* on wagering activity conducted at horse racetracks, simulcast theaters and off-track betting parlors throughout the State. In previous years the State temporarily reduced its tax rates and expanded simulcast opportunities and increased purses. Legislation enacted in 2006 reduced tax rates on wagers placed on certain thoroughbred races. Legislation enacted in 2008 reinstated the previous pari-mutual tax rates on simulcasting that preceded the 2006 rates, which have recently been extended on an annual basis, including legislation enacted in 2012. In addition to pari-mutuel taxes, a 4 percent tax is levied on the charge for admissions to racetracks and simulcast theaters, and a 3 percent tax is levied on gross receipts from boxing and wrestling exhibitions, including receipts from broadcast and motion picture rights.

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Miscellaneous receipts and other revenues include various fees, fines, tuition, license revenues, lottery revenues, investment income, assessments on various businesses (including healthcare providers), and abandoned property. Miscellaneous receipts also include minor amounts received from the Federal government and deposited directly in the General Fund. Effective April 1, 2010 OSC classified motor vehicle and alcohol license fees as miscellaneous receipts. Significant miscellaneous receipts legislation enacted since 2006 is discussed below. Legislation enacted in 2006 increased certain banking fines and penalties, reduced the dormancy period on uncashed checks and securities and created the internet point insurance reduction program. Legislation enacted in 2008 revised the distribution of video lottery receipts to provide different commissions to VLG facilities based on factors including: size of the facility; population surrounding the facility; and proximity to Native American and out-of-state casinos. In addition, tracks were provided a capital allowance for capital expenditures to enhance their facilities. Legislation enacted in 2009 increased the real property transfer fee, the 18-A utility assessment, and the notification fee for asbestos projects; expanded the bottle deposit; and authorized the Lottery to enter more than one multi-jurisdictional lottery association. Legislation enacted in 2010 reduced dormancy periods on undelivered goods and money orders and increased various civil court filing fees, made the Lottery's authorization to operate the Quick Draw lottery game permanent, removed the restrictions on the number of hours Quick Draw could be operated, removed the sunset on the VLG Program, increased the hours that VLTs may be operated to 20 hours from 16 hours (but no later than 4 a.m.) and reduced the vendor commission by one percent of net machine income. Legislation enacted in 2011 reduced the dormancy period on 14 items from five or six years to three, authorized VLG facilities to provide free game credits that are excluded from net machine income ("free-play") as a marketing tool capped at 10 percent of the net machine income at that facility, increased the number of instant games with a 75 percent prize pay-out from three to five new games per year, allowed the Lottery to have up to a 55 percent prize-payout on multi-jurisdictional games, and allowed Lottery to offer progressive jackpots (a cash prize that grows larger until won) for certain VLGs. Legislation enacted in 2012 removes the restriction that at least 25 percent of an establishment's revenue be from food sales in order to host the Quick Draw lottery game.

Alcohol license fees are imposed on those who sell alcoholic beverages in New York. The fees vary depending on the type and location of the establishment or premises operated by the licensee, as well as the class of beverage for which the license is issued. Legislation adopted in 2003 allowed for the option to sell liquor or wine on Sundays provided the establishment closed on one other day. In 2004, legislation was enacted to allow seven day liquor sales. This law was made permanent in 2008.

Motor vehicle fees are derived from a variety of sources, including motor vehicle registration fees and driver licensing fees, which together account for most motor vehicle fee revenue. Effective February 1, 1999, 45.5 percent of such fees are dedicated to the DHBTF. Legislation enacted with the 2000-01 Budget directs the remaining 54.5 percent of registration fees to the dedicated transportation funds pool, of which 63 percent goes to the DHBTF. Legislation enacted in 2001 directed the deposit of \$169 million in non-registration fees to the Trust Fund in State fiscal year 2001-02. Legislation enacted in 2002 redirected \$171.6 million in non-registration fees to the Trust Fund in State fiscal year 2002-03 and \$152.7 million in State fiscal year 2003-04. Legislation enacted in 2003 directed \$59.9 million in existing non-registration motor vehicle fee revenues to the Trust Fund effective April 1, 2004. Legislation enacted in 2005 directed the first \$169.4 million of non-dedicated motor vehicle fees (excluding fines and assessments) to the Dedicated Funds Pool, with the remainder going to the General Fund. Legislation enacted in 2008 implemented the Western Hemisphere Travel Initiative (WHTI) which offered Federally-compliant driver's licenses and non-driver ID cards. Legislation enacted in 2009 included increases of approximately 25 percent for vehicle registrations and licenses. Legislation enacted in 2011 clarified that non-dedicated motor vehicle fees include assessments and fines.

EXHIBIT E TO AIS

GLOSSARY OF FINANCIAL TERMS

The following glossary, which is an integral part of this AIS, includes certain terms that are used herein and are intended for use only in connection with the entire AIS.

Appropriation: An appropriation is a statutory authorization against which liabilities may be incurred during a specific year, and from which disbursements may be made, up to a stated amount, for the purposes designated. Appropriations generally are authorizations, rather than mandates, to spend, and disbursements from an appropriation need not, and generally do not, equal the amount of the appropriation. An appropriation represents maximum spending authority. Appropriations may be adopted at any time during the fiscal year.

Bond Anticipation Note or BANs: A bond anticipation note is a short-term obligation, the principal of which is paid from the proceeds of the bonds in anticipation of which such note is issued.

Business-type Activities: “Business-type activities” describe those operations that are financed in whole or in part by fees charged to external parties for goods or services. These activities are usually reported in enterprise funds and include the Lottery, Unemployment Insurance Benefit, SUNY and CUNY senior colleges.

Capital Projects Funds: Capital Projects Funds, one of the four GAAP-defined governmental fund types, account for financial resources of the State to be used for the acquisition or construction of major capital facilities (other than those financed by SRFs, Proprietary Funds and Fiduciary Funds).

Cash Basis Accounting: Accounting, budgeting and reporting of financial activity on a cash basis results in the recording of receipts at the time money or checks are deposited in the State Treasury and the recording of disbursements at the time a check is drawn, regardless of the fiscal period to which the receipts or disbursements relate.

Community Projects Fund: The State created this fund within the General Fund in 1996 to finance certain community projects for the Legislature and the Governor. The State transfers moneys from other General Fund accounts into the Community Projects Fund, as provided by law. Spending out of the Community Projects Fund is governed by specific appropriations for each account in the Fund, but cannot exceed the cash balance for that account.

Contingency Reserve Fund: This fund was established in 1993 to assist the State in financing the costs of any extraordinary known or anticipated litigation. Deposits to this fund are made from the General Fund.

Contractual-Obligation Financing: Contractual-obligation financing is an arrangement pursuant to which the State makes periodic payments to a public benefit corporation under a contract having a term not less than the amortization period of debt obligations issued by the public benefit corporation in connection with such contract. Payments made by the State are used to pay debt service on such obligations and are subject to annual appropriation by the Legislature and the availability of moneys to the State for the purposes of making contractual payments.

EXHIBIT E - GLOSSARY OF FINANCIAL TERMS

Debt Reduction Reserve Fund or DRRF: The State created the DRRF in 1998 to accumulate surplus revenues to pay debt service costs on State-supported bonds, retire or defease such bonds, and to finance capital projects. Use of DRRF funds requires an appropriation.

Debt Service: Debt service refers to the payment of principal and interest on bonds, notes, or other evidences of indebtedness, including interest on BANs and TRANs, in accordance with the respective terms thereof.

Debt Service Funds: DSFs, one of the four GAAP-defined governmental fund types, account for the accumulation of resources (including receipts from certain taxes, transfers from other funds and miscellaneous revenues, such as dormitory room rental fees, which are dedicated by statute for payment of lease-purchase rentals) for the payment of general long-term debt service and related costs and payments under lease-purchase and contractual-obligation financing arrangements.

Disbursement: A disbursement is a cash outlay and in the General Fund includes transfers to other funds.

Executive Budget: The Executive Budget is the Governor's constitutionally mandated annual submission to the Legislature which contains his recommended program for the forthcoming fiscal year. The Executive Budget is an overall plan of recommended appropriations. It projects disbursements and expenditures needed to carry out the Governor's recommended program and receipts and revenues expected to be available for such purpose. The recommendations contained in the Executive Budget serve as the basis for the State Financial Plan (defined below) which is adjusted after the Legislature acts on the Governor's submission. Under the State Constitution, the Governor is required each year to propose an Executive Budget that is balanced on a cash basis.

Expenditure: An expenditure, in GAAP terminology, is a decrease in net financial resources as measured under the modified accrual basis of accounting. In contexts other than GAAP, the State uses the term expenditure to refer to a cash outlay or disbursement.

Expenses: Expenses, in GAAP terminology, are a decrease in net financial resources as measured in the government-wide financial statements under the accrual basis of accounting.

Fiduciary Funds: Fiduciary Funds refers to a GAAP-defined fund type which accounts for assets held by the State in a trustee capacity or as agent for individuals, private organizations and other governmental units and/or other funds. These funds are custodial in nature and do not involve the measurement of operations. Although the Executive Budget for a fiscal year generally contains operating plans for Fiduciary Funds, and their results are included in the Comptroller's GAAP-based financial statements, they are not included in the State Financial Plan.

Financial Plan: see State Financial Plan.

Fiscal Year: The State's fiscal year commences on April 1 and ends on March 31. The term fiscal year refers to the fiscal year of the State unless the context clearly indicates otherwise.

Fund Accounting: The accounts of the State are presented on the basis of GAAP funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise the fund's assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

EXHIBIT E - GLOSSARY OF FINANCIAL TERMS

GAAP: GAAP refers to generally accepted accounting principles for state and local governments, which are the uniform minimum standards of and guidelines for financial accounting and reporting prescribed by GASB. GAAP requires that the government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the Enterprise Funds, Component Units and the Fiduciary Funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The modified accrual basis of accounting recognizes revenues when they become both measurable and available to finance expenditures. Expenditures and related liabilities are recognized in the accounting period they are incurred to the extent they are expected to be paid within the next 12 months, under the modified accrual basis of accounting.

General Fund: The General Fund, one of the four GAAP-defined governmental fund types, is the major operating fund of the State and receives all receipts that are not required by law to be deposited in another fund, including most State tax receipts and certain fees, transfers from other funds and miscellaneous receipts from other sources.

General Obligation Bonds: Long-term obligations of the State, used to finance capital projects. These obligations must be authorized by the voters in a general election, are issued by the Comptroller, and are backed by the full faith and credit of the State. Under current provisions of the Constitution, only one bond issue may be put before the voters at each general election, and it must be for a single work or purpose. Debt service must be paid from the first available taxes whether or not the Legislature has enacted the required appropriations for such payments.

General State Charges: Costs mandated by statute or court decree or by agreements negotiated with employee unions for which the State is liable, including: pensions; health, dental and optical benefits; payments on behalf of State employees for Social Security; unemployment insurance benefits; employee benefit programs; court judgments and settlements; assessments for local improvements; and taxes on public lands.

Governmental Activities: Governmental activities describes those operations that are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues and are reported in the governmental funds.

Governmental Funds: Governmental funds refers to a category of GAAP-defined funds which account for most governmental functions and which, for the State, include four GAAP-defined governmental fund types: the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. The State's projections of receipts and disbursements in the governmental funds comprise the State Financial Plan.

Interfund Transfers: Under GAAP fund accounting principles, each fund is treated as a separate fiscal and accounting unit with limitations on the kinds of disbursements to be made. To comply with these limitations, moneys are moved from one fund to another to make them available for use in the proper fund, and are accounted for as "interfund transfers".

Lease-Purchase Financing: Lease-purchase financing is an arrangement pursuant to which the State leases facilities from a public benefit corporation or municipality for a term not less than the amortization period of the debt obligations issued by the public benefit corporation or municipality to finance acquisition and construction, and pays rent which is used to pay debt service on the obligations. At the expiration of the lease, title to the facility vests in the State in most cases. Generally, the State's rental

EXHIBIT E - GLOSSARY OF FINANCIAL TERMS

payments are expressly subject to annual appropriation by the Legislature and availability of moneys to the State for the purposes thereof.

Local Assistance: Disbursements of State grants to counties, cities, towns, villages, school districts and other local entities, certain contractual payments to localities, and financial assistance to, or on behalf of, individuals and not-for-profit organizations.

Moral obligation debt: Long-term bonds issued by certain State public benefit corporations which are essentially supported by their own revenues. Moral obligation debt is not incurred pursuant to a referendum, is not State-supported debt, and is not backed by the full faith and credit of the State. However, the authorities selling such obligations have been allowed to establish procedures where, under certain conditions, the State may be requested to meet deficiencies in debt service reserve funds supporting such bonds. An appropriation must be enacted by the Legislature to meet any such request.

Official Statement: A disclosure document prepared to accompany an issuance of bonds, notes and certificates of participation offered for sale by the State or its public authorities. Its primary purpose is to provide prospective bond or note purchasers sufficient information to make informed investment decisions. It describes, among other things, the issuer, the project or program being financed and the security behind the bond issue.

PAYGO financing: The use of current State resources (as opposed to bonds) to finance capital projects. Also referred to as “hard dollar” financing.

Rainy Day Reserve Fund: This fund was created in 2007 to enhance the State’s fiscal reserves. The fund, which may have a maximum balance equal to 3 percent of General Fund spending, may be used to respond to an economic downturn or catastrophic event, as defined by the enabling statute.

Receipts: Receipts consist of cash actually received during the fiscal year and in the General Fund include transfers from other funds.

Revenue Accumulation Fund: This fund holds certain tax receipts temporarily before their deposit into other funds.

Revenues: Revenues, in GAAP terminology, are an increase in net financial resources, as measured for the government-wide financial statements under the accrual basis of accounting and for the governmental funds under the modified accrual basis of accounting. In contexts other than GAAP, the State uses the term revenues to refer to income or receipts.

Short-Term Investment Pool or STIP: The combination of available cash balances in funds within the State Treasury on a daily basis for investment purposes.

Special Revenue Funds: SRFs, one of the four GAAP-defined governmental fund types, account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects), such as Federal grants, that are legally restricted to specified purposes.

State Financial Plan: The State Financial Plan sets forth projections of State receipts and disbursements in the governmental fund types for each fiscal year and is prepared by the Director of the Division of Budget, based initially upon the recommendations contained in the Executive Budget. After the budget is enacted, the State Financial Plan is adjusted to reflect revenue measures, appropriation bills and certain related bills enacted by the Legislature. It serves as the basis for the administration of the

EXHIBIT E - GLOSSARY OF FINANCIAL TERMS

State's finances by the Director of the Budget, and is updated quarterly, or more frequently as necessary, during the fiscal year.

State Funds: "State funds" refer to a category of funds which includes the General Fund and all other State-controlled moneys, excluding Federal grants. This category captures all governmental disbursements except spending financed with Federal grants.

State-guaranteed debt: Debt authorized by the voters to be sold by three public authorities: the Job Development Authority, the New York State Thruway Authority, and the Port Authority of New York and New Jersey. State-guaranteed bonds issued for the Thruway Authority and the Port Authority were fully retired on July 1, 1995 and December 31, 1996, respectively. Such debt is backed by the full faith and credit of the State.

State Operations: Operating costs of State departments and agencies, the Legislature and the Judiciary, including salaries and other compensation for most State employees.

State-related debt: In this broad category, DOB combines all forms of debt for which the State is liable, either directly or on a contingent basis, including all State-supported debt and State-guaranteed and moral obligation debt.

State-supported debt: This category includes all obligations for which the State appropriates money that is used to pay debt service, including general obligation debt, lease-purchase and contractual-obligation debt, including PIT Revenue Bonds, LGAC and certificates of participation. While tax supported debt (obligations supported by State taxes) represents the majority of obligations in this category, obligations supported by other State revenues (such as dormitory fees or patient revenues) are also included.

Tax and Revenue Anticipation Notes or TRANS: Notes issued in anticipation of the receipt of taxes and revenues, direct or indirect, for the purposes and within the amounts of appropriations theretofore made.

Tax Refund Reserve Account: The tax refund reserve account is used to hold moneys available to pay tax refunds. During a given fiscal year, the deposit of moneys in the account reduces receipts and the withdrawal of moneys from the account increases receipts. There is no requirement that moneys withdrawn from this account be replaced.

Tax Stabilization Reserve Fund: This fund was created to hold surplus revenue that can be used in the event of any unanticipated General Fund deficit. Amounts within this fund can be borrowed to cover any year-end deficit and must be repaid within six years in no less than three equal annual installments. The fund balance cannot exceed two percent of General Fund disbursements for the fiscal year; contributions are limited to two-tenths of one percent of General Fund disbursements in that year.

EXHIBIT F TO AIS

GLOSSARY OF ACRONYMS

(AIM)	Aid and Incentive for Municipalities
(ALES)	Agency Law Enforcement Services
(APSU)	Agency Police Services Unit
(ARC)	Annual Required Contribution
(ARRA)	American Recovery and Reinvestment Act of 2009
(BANS)	Bond Anticipation Notes
(BCA)	Budget Control Act
(BCI)	New York State Police Investigators Association
(BIC)	Bond Issuance Change
(CAFR)	Comprehensive Annual Financial Report
(CDA)	Continuing Disclosure Agreement
(CDT)	Continuing Day Treatment Clinic
(CEFAP)	Community Enhancement Facilities Assistance Program
(CERCLA)	Comprehensive Environmental Response, Compensation and Liability Act
(CHIPs)	Consolidated Highway Improvement Programs
(CHP)	Child Health Plus
(CMS)	Centers for Medicaid and Medicare Services
(COLA)	Cost-of-Living Adjustment
(CPI)	Consumer Price Index
(CQCAPD)	Commission on Quality Care and Advocacy for Persons with Disabilities
(CRF)	Common Retirement Fund
(CSEA)	Civil Service Employees Association
(CW/CA)	Clean Water/Clean Air
(DHBTF)	Dedicated Highway and Bridge Trust Fund
(DRRF)	Debt Reduction Reserve Fund
(DSFs)	Debt Service Funds
(EI)	Early Intervention
(EIS)	Environmental Impact Statement
(EMMA)	Electronic Municipal Market Access
(ENI)	Entire Net Income
(EPF)	Environmental Protection Fund
(EPIC)	Elderly Pharmaceutical Insurance Coverage
(ERI)	Early Retirement Incentive
(ERS)	Employees' Retirement System
(EXCEL)	Expanding our Children's Education and Learning
(FCB)	Financial Control Board
(FHP)	Family Health Plus
(FMAP)	Federal Medical Assistance Percentage
(FMP)	Fiscal Management Plan
(F-SHRP)	Federal-State Health Reform Partnership
(FTE)	Full-Time Equivalent
(GAAP)	Generally Accepted Accounting Principles
(GASB)	Governmental Accounting Standards Board
(GASBS 45)	Governmental Accounting Standards Board Statement 45
(GDP)	Gross Domestic Product
(GEA)	Gap Elimination Adjustment
(GOER)	Governor's Office of Employee Relations
(GPHW)	General Public Health Work
(GSCs)	General State Charges
(HCRA)	Health Care Reform Act
(HEAL NY)	Health Care Equity and Affordability Law for New Yorkers
(HESC)	Higher Education Services Corporation

EXHIBIT F - GLOSSARY OF ACRONYMS

(HLRW)	High-Level Radioactive Waste
(HMO)	Health Maintenance Organization
(IBO)	Independent Budget Office
(LGAC)	Local Government Assistance Corporation
(LIBOR)	London Inter Bank Offered Rates
(LICH)	Long Island College Hospital
(LTRO)	Long-Term Refinancing Operation
(M/C)	Managerial/Confidential
(MD&A)	Management Discussion & Analysis
(MSA)	Master Settlement Agreement
(NAICS)	North American Industry Classification System
(NIFA)	Nassau County Interim Finance Authority
(NPM)	Non-Participating Manufacturer
(NYSCOPBA)	New York State Correctional Officers and Police Benevolent Association
(NYS-CARES)	New York State - Creating Alternatives in Residential Environments and Services
(NYSHIP)	New York State Health Insurance Plan
(NYSLRS)	New York State Local Retirement System
(NYSPPA)	New York State Police Benevolent Association
(OCA)	Office of Court Administration
(OPEB)	Other Post-Employment Benefits
(OPM)	Original Participating Manufacturer
(OSDC)	Office of the State Deputy Comptroller
(PACB)	Public Authorities Control Board
(PAYGO)	Pay-as-you-go
(PBA)	Police Benevolent Association of New York State Troopers
(PEF)	Public Employees Federation
(PFRS)	Police and Fire Retirement System
(PILOT)	Payment in Lieu of Taxes
(PIT)	Personal Income Tax
(PM)	Participating Manufacturers
(QPAI)	Qualified Production Activity Income
(RIC)	Regulated Investment Company
(RBTF)	Revenue Bond Tax Fund
(SAGE)	Spending and Government Efficiency Commission
(SBE)	Sound Basic Education
(SIP)	Strategic Investment Program
(SPM)	Subsequent Participating Manufacturers
(SRFs)	Special Revenue Funds
(SSI)	Supplemental Security Income
(STAR)	School Tax Relief
(STARC)	Sales Tax Asset Receivable Corporation
(STIP)	Short-Term Investment Pool
(TANF)	Temporary Assistance for Needy Families
(TAP)	Tuition Assistance Program
(TRANS)	Tax and Revenue Anticipation Notes
(TSFC)	Tobacco Settlement Financing Corporation
(UDC)	Urban Development Corporation
(UUP)	United University Professions
(VLG)	Video Lottery Gaming
(VLT)	Video Lottery Terminal
(WHTI)	Western Hemisphere Travel Initiative
(WTI)	West Texas Intermediate

EXHIBIT F - GLOSSARY OF ACRONYMS

NEW YORK STATE AGENCIES AND PUBLIC AUTHORITIES

(CUNY)	City University of New York
(DASNY)	Dormitory Authority of the State of New York
(DDPC)	Developmental Disabilities Planning Council
(DEC)	Department of Environmental Conservation
(DMNA)	Department of Military and Naval Affairs
(DMV)	Department of Motor Vehicles
(DOB)	Division of the Budget
(DOCCS)	Department of Corrections and Community Supervision
(DOH)	Department of Health
(DOT)	Department of Transportation
(EFC)	Environmental Facilities Corporation
(ERDA)	Energy Research and Development Authority
(ESDC)	Empire State Development Corporation
(HFA)	Housing Finance Agency
(JDA)	Job Development Authority
(MTA)	Metropolitan Transportation Authority
(MBBA)	Municipal Bond Bank Agency
(MCFFA)	New York State Medical Care Facilities Finance Agency
(NYHELPS)	New York Higher Education Loan Program
(NYSTA)	New York State Thruway Authority
(NYSTAR)	Office of Science, Technology and Academic Research
(OASAS)	Office of Alcoholism and Substance Abuse Services
(OCFS)	Office of Children and Family Services
(OFT)	Office for Technology
(OGS)	Office of General Services
(OMH)	Office of Mental Health
(OPWDD)	Office for People with Developmental Disabilities
(OSC)	Office of the State Comptroller
(OTDA)	Office of Temporary and Disability Assistance
(SED)	State Education Department
(SOFA)	New York State Office for the Aging
(SUNY)	State University of New York

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

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APPENDIX B-I

SUMMARY OF CERTAIN PROVISIONS OF DORMITORY AUTHORITY OF THE STATE OF NEW YORK STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE) GENERAL RESOLUTION

The following sections contain definitions of certain terms used in this general summary (“Summary”) of certain provisions of the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution (the “Resolution”). The definitions and Summary are not to be considered a full statement of all terms used in the Resolution and, accordingly, are qualified by reference to and are subject to the full text of the Resolution. A copy of the General Resolution may be obtained upon request from the Dormitory Authority of the State of New York.

Definitions

Acts shall mean the Issuer Act and the Enabling Act.

Administrative Fund shall mean the Fund designated as the Administrative Fund established in the Resolution.

Authorized Officer shall mean (i) in the case of the Issuer, the Chairman, the Vice Chairman, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, the First Deputy Executive Director, the Chief Financial Officer, any Managing Director, the General Counsel, or any other person authorized by a Resolution or bylaws of the Issuer, from time to time, to perform any specific act or execute any specific document, and when used with reference to any act or document also means any other person authorized by resolution or by laws of the Issuer to perform such act or execute such document; and when used with reference to any act or document, any other person authorized by resolution of the Issuer to perform such act or sign such document, (ii) in the case of the State, the Director of the Budget and when used with reference to any act or document, any other person authorized by law or by the Director of the Budget to perform such act or sign such document, (iii) in the case of the Trustee, the President, any Vice President, any Assistant Vice President, any Senior Trust Officer, any Trust Officer or any Assistant Trust Officer, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer’s knowledge and familiarity with the particular subject matter, and (iv) any other officer or employee so designated on its behalf by resolution of the Issuer or the Trustee, respectively.

Bond Proceeds Fund shall mean the Fund designated as the Bond Proceeds Fund established in the Resolution.

Cost of Issuance Account shall mean the account within the Bond Proceeds Fund so designated, created and established pursuant to the Resolution.

Debt Service Fund shall mean the Fund designated as the Debt Service Fund established in the Resolution.

Financing Agreement shall mean the State Personal Income Tax Revenue Bonds (General Purpose) Financing Agreement between the Issuer and the State, acting through the Director of the Budget.

Issuer shall mean 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 Issuer Act, and its successors and permitted assigns.

Issuer Act shall mean the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as the same may be amended from time to time, and constituting Title 4 of Article 8 of the Public Authorities Law), together with any other provision of State law relating to the authorization or financing of Costs of a Project.

Rebate Fund shall mean the Fund designated as the Rebate Fund established in the Resolution.

Resolution shall mean the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution (including the Standard Resolution Provisions set forth in Annex A) as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions of the Resolution.

Revenue Fund shall mean the Fund designated as the Revenue Fund established in the Resolution.

Subordinated Payment Fund shall mean the Fund designated as the Subordinated Payment Fund established in the Resolution.

(Section 101)

Standard Resolution Provisions

Except as otherwise specifically provided in the Resolution or by Supplemental Resolution, the Standard Resolution Provisions appended to the Resolution as Annex A constitute an integral part of the Resolution and have the same force and effect as if set forth in the forepart of the Resolution.

(Section 102)

Authority for the Resolution

The Resolution is adopted pursuant to the provisions of the Enabling Act and to the extent the same is applicable, the Issuer Act.

(Section 103)

Resolution to Constitute Contract

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 the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the 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 of the Bonds, over any other thereof except as expressly provided in or permitted by the Resolution.

(Section 104)

Authorization of Bonds

The Resolution authorizes one or more Series of Bonds of the Issuer for an Authorized Purpose to be designated as “State Personal Income Tax Revenue Bonds (General Purpose)” and creates a continuing pledge and lien to secure the full and final payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, all the Bonds. The Bonds shall be special obligations of the Issuer secured by the pledge effected pursuant to the Standard Resolution Provisions and are payable solely out of the Pledged Property, without recourse against any other assets, revenues or funds of or other payments due to the Issuer. The aggregate principal amount of the Bonds which may be executed, authenticated and delivered under the Resolution is not limited except as provided in the Resolution or as limited by law.

The Bonds shall not be a debt of the State, and the State shall not be liable thereon, nor shall they be payable out of any funds other than those pledged therefor pursuant to the Resolution.

The Bonds may, if and when authorized by the Issuer pursuant to one or more Supplemental Resolutions, be issued in one or more Series, and the designation thereof, in addition to the name “State Personal Income Tax Revenue Bonds (General Purpose)”, shall include such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series, as the Issuer may determine; provided that with respect to any Bond denominated as a note, capital lease or other form of obligation, the Issuer may denominate such obligation as other than a “Bond”. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

Nothing contained in the Resolution shall be deemed to preclude or restrict the consolidation pursuant to a Supplemental Resolution of any Bonds of any two or more separate Series authorized pursuant thereto and to any such Supplemental Resolution to be issued pursuant to any of the provisions of the Standard Resolution Provisions into a single Series of Bonds for purposes of sale and issuance; provided, however, that each of the tests, conditions and other requirements contained in the Standard Resolution Provisions as applicable to each such separate Series shall be met and complied with. Except as otherwise provided in the Resolution or in such Supplemental Resolution, such a consolidated Series shall be treated as a single Series of Bonds for all purposes of the Resolution.

(Section 201)

Redemption

Bonds of a Series subject to redemption prior to maturity pursuant to the Resolution or to a Supplemental Resolution or Certificate of Determination shall be redeemable in accordance with the Standard Resolution Provisions, at such times, at such Redemption Prices and upon such terms as may otherwise be specified in the Resolution, in the Bonds or in the Supplemental Resolution authorizing such Series or the related Certificate of Determination.

(Section 401)

The Pledge Effected by the Resolution

The Bonds are special obligations of the Issuer payable solely from the sources set forth in the Resolution.

(Section 501)

Establishment of Funds

The Resolution establishes the following Funds, which shall be held and administered by the Trustee, except for the Bond Proceeds Fund which at the discretion of the Issuer may be held and administered by the Issuer. Each of such Funds and accounts shall have as a prefix “Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (General Purpose)”

1. Revenue Fund,
2. Debt Service Fund,
3. Rebate Fund,
4. Bond Proceeds Fund,
5. Administrative Fund,
6. Subordinated Payment Fund.

Additional Funds, or accounts and subaccounts within each of the foregoing Funds may from time to time be established in accordance with a Supplemental Resolution, Certificate of Determination or upon the direction of the Issuer evidenced by a certificate of an Authorized Officer of the Issuer. Except as otherwise provided in a Supplemental Resolution, all moneys at any time deposited in any Fund and account created by the Resolution (other than the Rebate Fund), including in any fund or account established to effect an economic defeasance of any Bonds under the Resolution, shall be held in trust separate and apart from all other funds by the Issuer or Trustee, as appropriate, for the benefit of the Holders of each Series of Bonds.

(Section 502)

Revenue Fund

There shall be deposited promptly upon receipt by the Trustee to the credit of the Revenue Fund all Revenues.

Financing Agreement Payments together with any other Pledged Property deposited in the Revenue Fund, shall be applied to the Funds and accounts established under the Resolution consistent with the requirements set forth in the Financing Agreement; provided, however, that if the amount of any such payment, together with other Pledged Property deposited in the Revenue Fund, is less than the amount certified, the payment shall be applied in the amounts certified, first, to the Debt Service Fund, second, to the Rebate Fund, third, to the Subordinated Payment Fund and, fourth, to the Administrative Fund; provided, however, that so long as the total amount held in the Debt Service Fund shall be sufficient to fully pay all Outstanding Bonds and Parity Reimbursement Obligations (including Principal or applicable Redemption Price of and interest on such Bonds) in accordance with their terms, no deposits shall be required to be made into the Debt Service Fund.

(Section 503)

Debt Service Fund

In addition to the moneys allocated from the Revenue Fund pursuant to the Resolution, the Trustee shall deposit into the Debt Service Fund such portion of the proceeds of the sale of Bonds of any Series, if any, as shall be prescribed in the Supplemental Resolution or related Certificate of Determination.

The Trustee shall on or before each Interest Payment Date, Redemption Date or other payment date, as the case may be, withdraw and pay from the Debt Service Fund:

1. The interest due on all Outstanding Bonds on such Interest Payment Date;
2. The Principal Installments due on all Outstanding Bonds on such Interest Payment Date;
3. The Sinking Fund Installments, if any, due on all Outstanding Bonds on such Interest Payment Date;
4. The Redemption Price due on all Outstanding Bonds on any Redemption Date in accordance with the Resolution; and
5. Amounts due with respect to Parity Reimbursement Obligations.

Except as otherwise provided in a Supplemental Resolution, the amounts paid out to any Paying Agent pursuant to the Resolution remain irrevocably pledged until, and shall be, applied to such payments.

In the event of the refunding of any Bonds, the Trustee shall, upon the direction of the Issuer, withdraw from the Debt Service Fund all or any portion of the amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts with itself as Trustee or any other fiduciary selected by the Issuer to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless (i) upon such refunding, the Bonds being refunded shall be deemed to have been paid within the meaning and with the effect provided in the Resolution, and (ii) the amount remaining in the Debt Service Fund shall be not less than the amount needed to pay the Debt Service on all Outstanding Bonds accrued through such date.

Investment income on amounts in the Debt Service Fund shall be retained in such Fund or, upon direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund or, with the concurrence of the Director of the Budget, to the Bond Proceeds Fund.

(Section 504)

Rebate Fund

The Trustee shall deposit to the Rebate Fund any moneys delivered to it by the State for deposit therein and, notwithstanding any other provisions of the Resolution, shall transfer to the Rebate Fund in accordance with the directions of an Authorized Officer of the Issuer, 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 Rebate Fund shall be applied by the Trustee, in accordance with the direction of the Issuer, to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Issuer shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America in accordance with the provisions of the Arbitrage and Use of Proceeds Certificate, if any, delivered in connection with each Series of Bonds. Moneys which the Issuer determines to be in excess of the amount required to be so rebated shall be deposited to the Revenue Fund.

If and to the extent required by the Code or an Arbitrage and Use of Proceeds Certificate, the Issuer shall periodically, at such times as may be required to comply with the Code, determine the Rebate Amount with respect to each Series of Bonds and transfer from any other Fund or account held under the Resolution and deposit to the Rebate Fund all or a portion of the Rebate Amount with respect to such Series of Bonds and pay out of the 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 505)

Bond Proceeds Fund

Except as otherwise provided in a Supplemental Resolution or related Certificate of Determination, the Issuer, or the Trustee at the direction of the Issuer, shall deposit into the Bond Proceeds Fund the proceeds of sale of each Series of Bonds, unless otherwise required to be deposited into and held in the Debt Service Fund, to enable the Issuer to comply with the conditions precedent to the issuance of any Bonds.

Except as may be otherwise provided in the Supplemental Resolution or related Certificate of Determination, amounts in the Bond Proceeds Fund shall be applied by the Issuer from time to time for any of the purposes for which revenue bonds may be issued pursuant to paragraphs (a) and (b) of subdivision one of Section 68-b through the payment of Costs of a Project consistent with terms of any Requisition.

Whenever the Issuer shall determine and the Director of the Budget shall agree that the amount on deposit to the credit of the Bond Proceeds Fund is in excess of its requirements for the purposes for which amounts in such Fund may be used as permitted by law, such excess amount shall be withdrawn therefrom and deposited into the Revenue Fund. Notwithstanding the foregoing, amounts in the Bond Proceeds Fund may be applied to the payment of Principal Installments and interest on the applicable Series of Bonds and of Parity Reimbursement Obligations when due, and to the extent that other moneys are not available therefor, amounts in the Bond Proceeds Fund may be applied to the payment of Principal Installments and interest on the Bonds and of Parity Reimbursement Obligations when due.

Except as otherwise provided in the Resolution or a Supplemental Resolution, investment income on amounts in the Bond Proceeds Fund from proceeds of a Series of Bonds shall be transferred to the Revenue Fund, or, upon the direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund, or with the concurrence of the Director of the Budget, shall be retained in the Bond Proceeds Fund or transferred to the Debt Service Fund.

(Section 506)

Application of Moneys in the Debt Service Fund for Redemption of Bonds and Satisfaction of Sinking Fund Installments

Moneys delivered to the Trustee, which by the provisions of the Resolution are to be applied for redemption of Bonds, shall upon receipt by the Trustee be deposited to the credit of the Debt Service Fund for such purpose to the extent not otherwise provided pursuant to a Supplemental Resolution.

Moneys in the Debt Service Fund to be used for redemption of Bonds of a Series may be applied by the Issuer to the purchase of Outstanding Bonds of such 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 the Issuer shall direct.

In satisfaction, in whole or in part, of any Sinking Fund Installment, the Issuer may deliver to the Trustee at least 45 days prior to the date of such Sinking Fund Installment, for cancellation, Bonds acquired by purchase or redemption, except Bonds acquired by purchase or redemption pursuant to the preceding paragraph, of the maturity and interest rate entitled to such Sinking Fund Installment. All Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Installment shall reduce the amount thereof by the amount of the aggregate principal amount of such Bonds. Concurrently with such delivery of such Bonds the Issuer shall deliver to the Trustee a certificate of an Authorized Officer of the Issuer specifying (i) the principal amount, Series, maturity, interest rate and numbers of the Bonds so delivered, (ii) the date and Series of the Sinking Fund Installment in satisfaction of which such Bonds are so delivered, (iii) the aggregate principal amount of the Bonds so delivered, and (iv) the unsatisfied balance of each such Sinking Fund Installment after giving effect to the delivery of such Bonds.

The Trustee shall, in the manner provided in the Standard Resolution Provisions, call for redemption, on the date of each Sinking Fund Installment falling due prior to maturity, such principal amount of Bonds of the Series and maturity entitled to such Sinking Fund Installment as is required to exhaust the unsatisfied balance of such Sinking Fund Installment.

Notwithstanding the provisions of the second paragraph of this section, if the amount in the Debt Service Fund at any time (other than moneys required to pay the Redemption Price of any Outstanding Bonds of a Series theretofore called for redemption or to pay the purchase price of such Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the Redemption Date or purchase date) is sufficient to make provision pursuant to the Standard Resolution Provisions for the payment of such Outstanding Bonds at the maturity or Redemption Date thereof, the Issuer may request the Trustee to take such action consistent with the Standard Resolution Provisions as is required thereby to deem such Bonds to have been paid within the meaning of the Standard Resolution Provisions. The Trustee, upon receipt of such request and irrevocable instructions of the Issuer to purchase Government Obligations sufficient to make any deposit required thereby, shall comply with such request.

(Section 507)

Administrative Fund

Amounts in the Administrative Fund shall be paid out from time to time by the Trustee at the request of the Issuer for reasonable and necessary Issuer Expenses, free and clear of the lien and pledge created by the Resolution.

Amounts in the Administrative Fund being held for Issuer Expenses, the payment of which is not immediately required may in the discretion of the Issuer be invested in Investment Obligations. The Issuer may by written instruction to the Trustee sell any such investments at any time and the proceeds of such sale and of all payments at maturity or upon redemption of such investments shall be held in the Administrative Fund. Whenever the Administrative Fund exceeds the amount reasonable and necessary for Issuer Expenses, the Issuer shall direct the Trustee to pay the excess to the Revenue Fund.

Investment income on amounts in the Administrative Fund shall be deposited into the Revenue Fund.

(Section 508)

Subordinated Payment Fund

The Issuer may, at any time, or from time to time, issue Subordinated Indebtedness payable out of, and which may be secured by a pledge of and lien on, such amounts as may from time to time be available for transfer to the Subordinated Payment Fund pursuant to the Resolution; *provided, however*, that (a) such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge created by the Resolution as security for the Bonds and Parity Reimbursement Obligations and (b) to the extent provided by Supplemental Resolution, any amounts so transferred shall thereafter be free and clear of any lien, pledge or claim of the Resolution. The Issuer may establish such priorities of payment and security among Subordinated Indebtedness as it deems appropriate; *provided, however*, that the Supplemental Resolution or indenture or other agreement providing for the issuance of such Subordinated Indebtedness shall not permit the holders of such Subordinated Indebtedness to declare the same, nor to instruct such holders' trustee to declare the same, to be immediately due and payable any time that any Bonds and Parity Reimbursement Obligations remain Outstanding.

Subject to the other provisions of the Resolution, the Trustee shall deposit into the Subordinated Payment Fund all Revenues for (i) payments on any Subordinated Indebtedness, or (ii) Qualified Swap Payments or payments on other financial instruments entered into by the Issuer.

The Trustee shall pay out of the Subordinated Payment Fund all amounts required for the payments described in this section pursuant to any resolution adopted by, or otherwise at the written direction of, the Issuer.

Except as otherwise provided in the Resolution or a Supplemental Resolution, investment income on amounts in the Subordinated Payment Fund shall be transferred to the Revenue Fund, or, upon the direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund, or with the concurrence of the Director of the Budget, shall be retained in the Subordinated Payment Fund or transferred to the Debt Service Fund.

(Section 509)

Transfer of Investments

Whenever moneys in any Fund or account established under the Resolution or under any Supplemental 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* that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such Fund or account.

(Section 510)

Power to Issue Bonds and Effect Pledge

The Issuer is duly authorized under all applicable laws to create and issue the Bonds, adopt the Resolution and pledge the Pledged Property in the manner and to the extent provided in the Resolution. The Pledged Property is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the legally valid and binding special obligations of the Issuer enforceable in accordance with their terms and the terms of the Resolution. The Issuer shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all the rights of the Holders of Bonds and other obligations under the Resolution against all claims and demands of all Persons whomsoever.

(Section 601)

APPENDIX B-II

SUMMARY OF CERTAIN PROVISIONS OF THE STATE PERSONAL INCOME TAX REVENUE BONDS STANDARD RESOLUTION PROVISIONS

The following sections contain definitions of certain terms used in this general summary (“Summary”) of certain provisions of the Standard Resolution Provisions. The definitions and Summary are not to be considered a full statement of all terms used in the Standard Resolution Provisions or the Resolution to which the Standard Resolution Provisions is appended and, accordingly, are qualified by reference to and are subject to the full text of the Standard Resolution Provisions and the Resolution. Copies of the Standard Resolution Provisions and the Resolution may be obtained upon request from the Dormitory Authority of the State of New York.

Definitions

Capitalized terms used but not otherwise defined in this Summary shall have the meanings set forth in the Resolution to which the Standard Resolution Provisions are appended. The following terms shall, for all purposes therein and (except as the context may otherwise require) in the Resolution to which these Standard Resolution Provisions are appended, have the following meanings:

Accreted Value shall mean, with respect to any Capital Appreciation Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Capital Appreciation Bonds and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accreted Values for such Valuation Dates. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

Additional Bonds shall mean Bonds authenticated and delivered on original issuance pursuant to the Standard Resolution Provisions.

Amortized Value when used with respect to Investment Obligations purchased at a premium above or a discount below par, shall mean the value of such Investment Obligations computed by using an industry standard constant yield method selected by an Authorized Officer of the Issuer.

Appreciated Value shall mean with respect to any Deferred Income Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Deferred Income Bonds, (ii) as of any date prior to the Interest Commencement Date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

Arbitrage and Use of Proceeds Certificate shall mean, with respect to any Series of Bonds, the interest on which is intended by the Issuer to be excluded from gross income for federal income tax purposes, a certificate or certificates executed by an Authorized Officer of the Issuer in connection with the initial issuance and delivery of the Bonds of such Series and containing representations, warranties and covenants of the Issuer relating to the federal tax status of such Series of Bonds, as such certificate or certificates may be amended and supplemented from time to time.

Authorized Issuer shall mean any public authority or public benefit corporation enumerated by subdivision 1 of Section 68-a.

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

Authorized Purpose shall mean a purpose as provided by the Enabling Act for the Issuer.

Bank shall mean any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America, or (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law, or 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.

Bond or Bonds shall mean any of the bonds or notes of the Issuer authorized and issued pursuant to the Resolution and to a Supplemental Resolution; provided, however, that such terms shall not include any Bond Anticipation Notes, or bonds, notes or other obligations, including Qualified Swaps, payable from the Subordinated Payment Fund.

Bond Anticipation Notes shall mean notes issued pursuant to the Standard Resolution Provisions.

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

Bondholder, Holder or Holder of Bonds, or any similar term, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds.

Business Day shall mean a day of the year 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 required or authorized by law to close in The City of New York, or any day on which the New York Stock Exchange is closed.

Calculated Debt Service shall mean for any period, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligations, the sum of Debt Service for such period determined by the Issuer based on the following adjustments:

(1) Interest on Variable Interest Rate Bonds shall be based on the Estimated Average Interest Rate applicable thereto.

(2) With respect to Put Bonds and any Bonds of a Series the interest on which is payable periodically and at least twenty-five per centum (25%) of the original principal amount of which is stated to

mature at one time and for which maturing principal amount amortization requirements have not been designated, (i) Principal Installments shall be deemed to amortize over a 30-year period from their date of issuance (or any shorter period provided by Supplemental Resolution) based on substantially level debt service as estimated by the Issuer, and (ii) interest shall be based on the actual interest rate or the Estimated Average Interest Rate, as applicable.

(3) If the Issuer has irrevocably deposited Investment Obligations or money with the Trustee (or otherwise in trust) for the payment of any portion of Debt Service, the expected future cash flow from such Investment Obligations and money shall be deducted from Debt Service.

(4) If the Issuer has, at any time, irrevocably called for redemption of one or more Series of Bonds, including pursuant to a covenant to apply any portion of the Pledged Property to redeem Bonds or Parity Reimbursement Obligations (which particular Bonds or Parity Reimbursement Obligations need not be specifically identified in advance, except as to interest rate and maturity), the Issuer shall take into account such redemption for purposes of determining Calculated Debt Service.

(5) With respect to Parity Reimbursement Obligations, an interest rate calculated at a higher interest rate on the related Bonds shall only be taken into account if, at the time of calculation, such higher rates are then payable thereon.

Capital Appreciation Bonds shall mean Bonds of a Series denominated as such and issued as to which interest is payable only at the maturity or prior redemption of such Bonds. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, (ii) computing the principal amount of Bonds held by the registered owner of a Capital Appreciation Bond in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value (which in the case of clause (ii) may be the Accreted Value as of the immediately preceding Valuation Date).

Certificate of Determination shall mean a certificate of an Authorized Officer of the Issuer fixing terms, conditions and other details of Bonds, Parity Reimbursement Obligations, Credit Facilities, Subordinated Indebtedness, or other matters in accordance with the delegation of power to do so under the Resolution or a Supplemental Resolution.

Code shall mean the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code shall be deemed to include the Regulations, including temporary and proposed Regulations, relating to such section which are applicable to the Resolution, including the Bonds or the use of Bond proceeds.

Comptroller shall mean the Comptroller of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any other official of the State authorized to act on behalf of the Comptroller in connection therewith.

Cost or Costs of a Project shall mean costs and expenses or the refinancing of costs and expenses incurred or to be incurred in connection with a Project, including, (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 for labor and materials and payments to consultants, contractors, builders and materialmen, for the acquisition, design, construction, reconstruction, rehabilitation, preservation, development, improvement or modernization of the Project, (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, and for supervising the construction of the Project, (v) costs and expenses required for the acquisition

and installation of equipment or machinery, (vi) all other costs necessarily and appropriately incurred in connection with the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of the Project, (vii) any sums required to reimburse the State or the Issuer for advances made by either party for any of the above items or for other costs incurred and for work done by the State or Issuer in connection with the Project, and (viii) grants or loans by or on behalf of the State for any of the foregoing.

Cost or Costs of Issuance shall mean the items of expense incurred in connection with the authorization, sale and issuance of a Series of Bonds or Bond Anticipation Notes, which items of expense shall include Issuer Expenses, State bond issuance charges, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee or a Securities Depository, legal fees and charges, professional consultants' fees, underwriting fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for Credit Facilities, Qualified Swaps and other similar financial arrangements, costs and expenses of refunding of Bonds or Prior Obligations and other costs, charges and fees, including those of the Issuer, in connection with the foregoing.

Counsel's Opinion shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the practice of law relating to municipal, state and public agency financing selected by the Issuer.

Credit Facility shall mean any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement of any payment thereunder (or any combination of the foregoing), which is obtained by the Issuer and is issued by a financial institution, insurance provider or other Person and which provides security or liquidity in respect of any Outstanding Bonds or Parity Reimbursement Obligations.

Debt Service for any period shall mean, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation Outstanding, the sum of: (i) interest on the Bonds of such Series and the interest components of Parity Reimbursement Obligations accruing during such period and (ii) that portion of each Principal Installment for such Bonds and Parity Reimbursement Obligations that would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the preceding Principal Installment payment date on Outstanding Bonds and Parity Reimbursement Obligations; *provided, however, that*, unless otherwise set forth in a Supplemental Resolution, no Principal Installment shall be deemed to begin accruing until *the later* of one year prior to such Principal Installment's due date and the date of issuance or incurrence of the related Bond or Parity Reimbursement Obligation.

Defeased Municipal Obligations shall mean pre-refunded municipal obligations rated in the highest Rating Category by each Rating Agency and meeting the following requirements:

(a) The municipal obligations (i) are not subject to redemption prior to maturity or (ii) the trustee or the paying agent has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions; and

(b) The municipal obligations are fully secured by cash or Government Obligations which may be applied only to payment of the principal of and interest and premium, if any, on such municipal obligations.

Deferred Income Bond shall mean any Bond (A) as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is (i) compounded on each Valuation Date for such Deferred Income Bond and (ii) payable only at the maturity or prior redemption of such Bonds and (B) as to which interest accruing after the Interest Commencement Date is payable on the first interest payment date succeeding the Interest Commencement Date and periodically thereafter on the dates specified in or determined by Supplemental Resolution. Except as otherwise provided by Supplemental Resolution, for the

purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed prior to maturity, (ii) computing the principal amount of Bonds held by the registered owner of a Deferred Income Bond in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Deferred Income Bond shall be deemed to be its Appreciated Value (which in the case of clause (ii) may be the Appreciated Value as of the immediately preceding Valuation Date).

Director of the Budget shall mean the Director of the Division of the Budget of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any official of the State authorized to act on behalf of the Director of the Budget in connection therewith.

Enabling Act shall mean Article 5-c of the State Finance Law, Chapter 56 of the Consolidated Laws of the State of New York, as may be hereafter amended from time to time.

Estimated Average Interest Rate shall mean, as to any Variable Interest Rate Bonds or Qualified Swap and as of any date of calculation, the average interest rate or rates anticipated to be borne by such Bonds or Qualified Swap, or by the combination of such arrangements, over the period or periods for which such rate or rates are anticipated to be in effect, all as estimated by an Authorized Officer of the Issuer in consultation with the Director of the Budget.

Event of Default shall mean any Event of Default set forth in the Standard Resolution Provisions.

Fiduciary shall mean the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

Fiduciary Capital Funds when used with respect to any Fiduciary shall mean the total of (i) paid in capital, (ii) surplus, (iii) undivided profits and (iv) the par value of outstanding capital notes issued and subordinated to the claims of creditors of such Fiduciary other than the holders of such capital notes.

Financing Agreement shall mean the applicable financing agreement authorized by subdivision 1 of Section 68-c, as amended and supplemented in accordance with the terms thereof and the Resolution and referred to in the Resolution.

Financing Agreement Payment shall refer to any payment obligation of the State incurred pursuant to a Financing Agreement and denominated therein as a "Financing Agreement Payment," to pay to the Issuer or the Trustee from amounts available therefor in the Revenue Bond Tax Fund.

Fund shall mean any one of the funds created and established pursuant to the Resolution.

Government Obligations shall mean (a) direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America and entitled to the full faith and credit thereof; (b) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations described in clause (a) above or in any specific interest or principal payments due in respect thereof; provided, however, that the custodian of such obligations or specific interest or principal payments shall be a bank or trust company organized under the laws of the United States of America or of any state or territory thereof or of the District of Columbia, with a combined capital stock, surplus and undivided profits of at least \$50,000,000 or the custodian is appointed by or on behalf of the United States of America; and provided, further, that except as may be otherwise required by law, such custodian shall be obligated to pay to the holders of such certificates, depositary receipts or other instruments the full amount received by such custodian in respect of such obligations or specific payments and shall not be permitted to make any deduction therefrom; (c) an obligation of any federal agency approved by the Issuer; (d) a share or interest in a mutual fund, partnership or other fund wholly comprised of obligations described in clauses (a), (b) and (c) above; (e) Defeased Municipal Obligations; or (f) any other Investment Obligation designated in a

Supplemental Resolution as a Government Obligation for purposes of defeasing Bonds, which is not redeemable at the option of the issuer thereof and which shall be rated at the time of the investment in the highest long-term Rating Category by each Rating Agency.

Interest Commencement Date shall mean, with respect to any particular Deferred Income Bond, the date determined by Supplemental Resolution after which interest accruing on such Bond shall be payable on the first interest payment date succeeding such Interest Commencement Date and periodically thereafter on the dates determined pursuant to such Supplemental Resolution.

Interest Payment Date shall mean, with respect to a Series of Bonds, each date on which interest, if any, is payable pursuant to the Supplemental Resolution authorizing such Bonds.

Investment Obligations shall mean any of the following that are lawful investments at the time of the investment:

(a) Government Obligations,

(b) certificates of deposit issued by, and time deposits in, and bankers' acceptances of, any bank (including any Paying Agent or Trustee), any branch of any bank, national banking association or federally chartered savings and loan association; provided that, with respect to any of the foregoing institutions, whose long-term unsecured indebtedness is rated less than "A" by each Rating Agency, such certificates of deposit or time deposits or bankers' acceptances are (i) insured by the Federal Deposit Insurance Corporation for the full face amount thereof or (ii) to the extent not so insured, collateralized by direct obligations of the United States of America having a market value of not less than the face amount of such certificates and deposits,

(c) evidences of ownership of a proportionate interest in specified direct obligations of the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, or when "stripped" by the Department of the Treasury of the United States of America, then by the custodian designated by the Department of the Treasury of the United States of America,

(d) obligations of state or local government municipal bond issuers which are rated in one of the two highest Rating Categories by each Rating Agency,

(e) obligations of state or local government municipal bond issuers, the principal of and interest on which, when due and payable, have been insured by an insurance policy or guaranteed by a letter of credit and which are rated in one of the two highest Rating Categories by each Rating Agency,

(f) interests in a money market mutual fund registered under the Investment Company Act of 1940, 15 U.S.C. §§80-1, et seq., as from time to time amended, the portfolio of which is limited to obligations described in clause (a), (d), or (e) above and repurchase agreements fully collateralized thereby provided that such fund has total assets of at least \$100,000,000 and is rated in the highest Rating Category by each Rating Agency,

(g) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian,

(h) any repurchase agreement for Government Obligations by the Issuer or any Trustee that is with a bank, trust company (including any Trustee) or securities dealer which is a member of

the Securities Investors Protection Corporation, each of which is a primary reporting dealer in government securities as determined by the Federal Reserve Bank, or if “primary reporting dealers” cease to be determined by the Federal Reserve Bank, such other comparable standard as the Issuer shall implement pursuant to a Supplemental Resolution; provided, however, that the Government Obligations must be transferred to the Issuer or any Trustee or a third party agent by physical delivery or by an entry made on the records of the issuer or registrar of such obligations or clearing agent or depository, and the collateral security must continually have a market value at least equal to the amount so invested and the collateral must be free of third party claims. Any investment in a repurchase agreement shall be considered to mature on the date the bank, trust company or recognized securities dealer providing the repurchase agreement is obligated to repurchase the Government Obligations,

- (i) commercial paper rated in the highest Rating Category by each Rating Agency,
- (j) investment agreements, secured or unsecured, with any institutions whose debt securities are rated in one of the two highest Rating Categories (or rated in the highest Rating Category for short-term obligations if the investment is for a period not exceeding one year) by each Rating Agency,
- (k) forward purchase agreements effecting the periodic delivery of securities listed in (a), (c), (d), (e), (g) and (i) above, and
- (l) shares or an interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as from time to time amended, whose objective is to maintain a constant share value of \$1.00 per share and that is rated in the highest Rating Category for short-term obligations by at least one Rating Agency; and
- (m) any other obligations from time to time permitted pursuant to the Issuer Act or other applicable law; provided, however, that if the funds invested in any such obligation are pledged for the payment of Bonds under the Resolution and the Bonds are then rated by a Rating Agency, such obligation shall be rated in one of the two highest Rating Categories of each such Rating Agency.

Any investment in any of the foregoing obligations may be made in the form of an entry made on the records of the issuer of the particular obligations or of a recognized Securities Depository.

Issuer Board shall mean the board or members of the Issuer duly appointed and acting pursuant to the Issuer Act, or their designees duly appointed and acting.

Issuer Expenses shall mean all proper items of cost or expenditure incurred or anticipated to be incurred by the Issuer in connection with the financing of any Project pursuant thereto, or direct and indirect administrative costs, fees and expenses and allocable portions of direct and indirect costs of the Issuer incurred in connection with financing such Project, including Costs of Issuance, initial fees and periodic fees to be paid in connection with Credit Facilities, legal fees, fees and expenses of trustees, remarketing agents, market agents, tender agents, auction agents, Depositories and Paying Agents, and financing charges and fees and expenses of financial advisors and consultants, costs of audits, and such other expenses not specified therein as may be necessary or incident to the financing of such Project, including through the issuance of Bonds or Bond Anticipation Notes and all other expenses of the Issuer relating to the financing of Projects set forth in the Enabling Act; provided, however, that Issuer Expenses shall not include any termination or other payments to be made in connection with Qualified Swaps or other similar arrangements or, except to the extent expressly provided above, Credit Facilities.

Outstanding, when used with reference to Bonds, shall mean, as of any date, all Bonds theretofore or thereupon being authenticated or otherwise validly executed and delivered under the Resolution except:

1. Any Bond canceled or delivered for cancellation at or prior to such date;
2. Any Bond (or portion of a Bond) deemed to have been paid in accordance with the Standard Resolution Provisions unless a Supplemental Resolution provides that Bonds of a Series having the benefit of a Credit Facility shall not thereby be deemed paid if payment is provided by the Credit Facility;
3. Any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Standard Resolution Provisions; and
4. Put Bonds tendered or deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Bonds on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Resolution, except to the extent such tendered Put Bonds thereafter may be resold pursuant to the terms thereof and of such Supplemental Resolution.

The principal component of any Parity Reimbursement Obligation shall be deemed to be Outstanding in a principal amount equal to the principal amount of the obligation then owed by the Issuer thereunder in lieu of the related Bond, regardless of the authorized amount of the principal component of such Parity Reimbursement Obligation or the related Bond and provided that, unless otherwise required pursuant to the related Supplemental Resolution, the principal component of such Parity Reimbursement Obligation shall not by itself increase the Outstanding principal amount of Bonds.

Parity Reimbursement Obligation has the meaning provided in the Standard Resolution Provisions.

Paying Agent or **Paying Agents** shall mean any paying agent for the Bonds of any Series appointed pursuant to the Standard Resolution Provisions, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution, and in the event that for any reason there shall be a vacancy in the office of Paying Agent, the Trustee, if a different entity, or the Issuer shall act as such Paying Agent.

Person shall mean any individual, corporation, firm, partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability company or other legal entity or group of entities, including any public benefit corporation, public instrumentality, quasi-governmental or governmental entity or any agency or subdivision thereof.

Pledged Property shall mean all of the Issuer's right, title and interest in and to (i) the Financing Agreements (other than (A) the Issuer's right to receive the payment of Issuer Expenses, (B) the right of the Issuer to enforce the obligation of the State to make Financing Agreement Payments, (C) the right of the Issuer to agree to the amendment of a Financing Agreement in accordance with the Standard Resolution Provisions, and (D) the right of the Issuer to enforce the provisions of any Financing Agreement independently of the Trustee, without limiting the right of the Trustee to enforce the payment of amounts (other than Financing Agreement Payments) under the Financing Agreements for the benefit of Bondholders or Fiduciaries), and (ii) the Revenues and Funds (other than the Rebate Fund and other Funds, and any accounts and subaccounts therein, established pursuant to a Supplemental Resolution in connection with Variable Interest Rate Bonds, Put Bonds, Parity Reimbursement Obligations, Reimbursement Obligations or Subordinated Indebtedness; *provided, however, that* such Funds, accounts and subaccounts are specifically excepted from Pledged Property by the Supplemental Resolution authorizing such Variable Interest Rate Bonds, Put Bonds, Parity Reimbursement Obligations, Reimbursement Obligations or Subordinated Indebtedness), including Investment Obligations held in such Funds under the Resolution, together with all proceeds and revenues of the foregoing

and all other moneys, securities or funds pledged for the payment of the principal or Redemption Price of and interest on the Bonds in accordance with the terms and provisions of the Resolution; provided, however, that in no event shall any Project or any interest therein be deemed to be “Pledged Property”.

Principal Installment shall mean, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation, as applicable, (a) the principal amount of Outstanding Bonds of such Series, due on the dates and in the amounts specified by Supplemental Resolution, reduced by the principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Resolution of Sinking Fund Installments payable before such dates, plus the unsatisfied balance of any Sinking Fund Installments due on any certain future date for Bonds of such Series, together with such redemption premiums, if any, applicable on any such future date, and (b) with respect to any Parity Reimbursement Obligation, the amount due thereunder on the dates and in the amounts established in accordance with the Standard Resolution Provisions as a principal component of such Parity Reimbursement Obligation payable on a parity with the Bonds.

Prior Obligations shall mean bonds, notes or other obligations previously issued or incurred by an Authorized Issuer not under the Resolution to finance Costs of a Project.

Project shall mean the land, buildings, improvements, betterments, equipment, furnishings, and other property, real or personal, and all appurtenances thereto and interests therein, comprising each of the projects to be acquired, constructed, reconstructed, renovated, or developed to effectuate an Authorized Purpose.

Put Bonds shall mean Bonds which by their terms may be tendered at the option of the Holder thereof, or are subject to a mandatory tender other than at the election of the Issuer for payment or purchase prior to the stated maturity or redemption date thereof.

Qualified Swap shall mean, to the extent from time to time permitted by law, with respect to Bonds, any financial arrangement (i) which is entered into by the Issuer with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Bonds of the Issuer as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Bonds); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, in each case executed by the Issuer for the purpose of moderating interest rate fluctuations, reducing debt service costs or creating either fixed interest rate Bonds or variable interest rate Bonds on a synthetic basis or otherwise, or other similar financial transaction, and (iii) which has been designated in writing to the Trustee by an Authorized Officer of the Issuer as a Qualified Swap with respect to such Bonds.

Qualified Swap Payment shall mean any payment required to be made by the Issuer under a Qualified Swap, such payment to be made only from the Subordinated Indebtedness Fund.

Qualified Swap Provider shall mean an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated at least as high as the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Swap Provider.

Rating Agency shall mean each nationally recognized statistical rating organization then maintaining a rating on the Bonds at the request of the Issuer.

Rating Category shall mean one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rating Confirmation shall mean evidence that no rating then in effect from a Rating Agency will be withdrawn or reduced solely as the result of an action to be taken under the Resolution; provided, however, that no action requiring Rating Confirmation shall be undertaken unless at least one Rating Agency at that time maintains a rating on Bonds.

Rebate Amount shall mean, with respect to each Series of Bonds, the amount equal to the rebatable arbitrage and any income attributable to the rebatable arbitrage as required by the Code.

Record Date shall mean with respect to any Interest Payment Date, unless the applicable Supplemental Resolution authorizing a particular Series of Bonds provides otherwise with respect to Bonds of such Series, the fifteenth (15th) day of the calendar month next preceding such Interest Payment Date; provided, however, with respect to any Interest Payment Date for the Series 2012B Bonds and the Series 2012C Bonds, the Record Date shall be the last day of the calendar month preceding each Interest Payment Date.

Redemption Date shall mean the date upon which Bonds are to be called for redemption pursuant to the Resolution.

Redemption Price shall mean, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof.

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

Regulations shall mean the Income Tax Regulations promulgated by the Department of the Treasury of the United States of America from time to time.

Reimbursement Obligation has the meaning provided in the Standard Resolution Provisions.

Requisition shall mean any instructions as deemed necessary and delivered by the Director of the Budget to the Issuer, providing for the payment of Bond proceeds to the State or any other entity.

Revenues shall mean (i) all amounts appropriated and paid to the Issuer or the Trustee from the Revenue Bond Tax Fund pursuant to Section 92-z and the Financing Agreement, constituting Financing Agreement Payments, (ii) any other amounts appropriated and paid by the State to the Issuer or received from any other source by the Issuer and pledged by the Issuer as security for the payment of Bonds, and (iii) interest received or to be received on any moneys or securities held pursuant to the Resolution.

Revenue Bond Tax Fund shall mean the fund established by Section 92-z.

Section 92-z shall mean section 92-z of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-a shall mean section 68-a of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-b shall mean section 68-b of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-c shall mean section 68-c of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Securities Depository shall mean a recognized securities depository selected by the Issuer to maintain a book-entry system in respect to all or any portion of a Series of Bonds (including, as appropriate, any nominee thereof), and shall include any substitute for or successor to the Securities Depository initially acting as Securities Depository.

Series shall mean all of the Bonds authenticated and delivered on original issuance and denominated as part of the same series, and thereafter delivered in lieu of or in substitution of such Bonds pursuant to the Standard Resolution Provisions regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

Sinking Fund Installment shall mean, with respect to any Series of Bonds, as of any date of calculation and with respect to any Bonds of such Series, the amount of money required by the applicable Supplemental Resolution pursuant to which such Bonds were issued, to be paid in all events by the Issuer 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 Issuer by reason only of the maturity of such Bond.

State shall mean the State of New York.

State Fiscal Year shall mean the fiscal year of the State as set forth in the State Finance Law.

State Legislature shall mean the Legislature of the State of New York.

State Revenue Bonds shall mean any notes, bonds or other obligations to be issued or incurred by the State or by a public corporation of the State on behalf of the State in accordance with a hereinafter enacted amendment to the State Constitution, payments with respect to which (i) are payable from specified, dedicated revenues and (ii) do not require an appropriation by the State Legislature in order to be made.

Subordinated Indebtedness shall mean any bond, note or other indebtedness authorized by Supplemental Resolution or other resolution of the Issuer and designated as constituting "Subordinated Indebtedness" in a certificate of an Authorized Officer of the Issuer delivered to the Trustee, which shall be payable and secured in a manner permitted by the Resolution, and any lien on and pledge of any portion of the Pledged Property securing Subordinated Indebtedness shall be junior and inferior to the lien on and pledge of the Pledged Property created in the Resolution for the payment of the Bonds and Parity Reimbursement Obligations.

Supplemental Resolution shall mean any resolution supplemental to or amendatory of the Resolution adopted by the Issuer in accordance with the Resolution and, except as the context may otherwise require, including any related Certificate of Determination.

Tax Law shall mean the tax law constituting Chapter 60 of the consolidated laws of the State.

Taxable Bonds shall mean any Bonds which are not Tax-Exempt Bonds.

Tax-Exempt Bonds shall mean any Bonds the interest on which is intended by the Issuer to be generally excluded from gross income for federal income tax purposes and which are designated as Tax-Exempt Bonds in the Supplemental Resolution authorizing such obligations.

Trustee shall mean a trustee appointed by the Issuer or as otherwise provided in the Resolution, its successor and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Resolution.

Valuation Date shall mean (i) with respect to any Capital Appreciation Bonds, the date or dates set forth in the Supplemental Resolution authorizing such Bond on which specific Accreted Values are assigned to such Capital Appreciation Bonds, and (ii) with respect to any Deferred Income Bonds, the date or dates on or prior to the Interest Commencement Date set forth in the Supplemental Resolution authorizing such Bonds on which specific Appreciated Values are assigned to the Deferred Income Bonds.

Variable Interest Rate Bonds shall mean Bonds which bear a variable interest rate but does not include any Bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate. The method of computing such variable interest rate shall be specified in the Supplemental Resolution authorizing such Series of Bonds.

(Section A-101)

The Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds and Parity Reimbursement Obligations authorized to be issued or incurred under the Resolution by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds and Parity Reimbursement Obligations; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds and Parity Reimbursement Obligations, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds or Parity Reimbursement Obligations over any other thereof except as expressly provided in or permitted by the Resolution.

(Section A-104)

General Provisions for Issuance of Bonds

The issuance of Bonds of a Series or subseries shall be authorized by the Resolution and a Supplemental Resolution or Resolutions adopted at the time of or subsequent to the adoption of the Resolution and which shall be subject to the express limitations of the Resolution. The Bonds of a Series or subseries authorized to be issued shall be executed in accordance with the Standard Resolution Provisions and delivered to the Trustee. Such Series of Bonds or subseries shall be authenticated or otherwise delivered by the Trustee from time to time in such amounts as directed by the Issuer and by it delivered to or upon the order of the Issuer upon receipt of the consideration therefor and upon delivery to the Trustee of:

(A) a copy of the Resolution and the Supplemental Resolution authorizing such Series which, among other things, shall specify the following items (or the manner of determining such items prior to the delivery of the Bonds):

1. The authorized principal amount, designation and Series of such Bonds;
2. The purposes for which such Series of Bonds are being issued, which shall be one or more of the following (a) one or more of the Authorized Purposes permitted by the Enabling Act, or (b) the refunding of Bonds as provided in the Standard Resolution Provisions;
3. The date or dates, and the maturity date or dates and principal amounts of each maturity of the Bonds of such Series;

4. The amount, or the method for determining such amount, and due date of each Sinking Fund Installment, if any, for Bonds of such Series;
5. The Record Date or Record Dates of Bonds of such Series for which the Record Date or Record Dates is other than the fifteenth (15th) day of the calendar month next preceding an Interest Payment Date for such Bonds;
6. If the Bonds of such Series are interest bearing Bonds, the interest rates of the Bonds of such Series and the Interest Payment Dates therefor;
7. If Bonds of such Series are Capital Appreciation Bonds, the Valuation Dates for such Bonds and the Accreted Value on each such Valuation Date;
8. If Bonds of such Series are Deferred Income Bonds, the Interest Commencement Date for such Obligations, the Valuation Dates prior to the Interest Commencement Date for such Bonds and the Appreciated Value on each such Valuation Date;
9. If Bonds of such Series are Capital Appreciation Bonds or Deferred Income Bonds, the manner in which and the period during which principal and interest shall be deemed to accrue on such Bonds;
10. If Bonds of such Series are Variable Interest Rate Bonds, the maximum interest rate, if any, or the method of calculating such maximum rate for such Bonds, and the provisions, if any, as to the calculation or change of variable interest rates;
11. If Bonds of such Series are Put Bonds, provisions regarding tender for purchase or redemption thereof and payment of the purchase or Redemption Price thereof;
12. The denomination or denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series;
13. The Paying Agent or Paying Agents, if any, and the place or places of payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if any, of and interest on the Bonds of such Series;
14. The redemption provisions, if any, applicable to the Bonds of such Series;
15. Provisions for time, place and manner of sale or exchange of the Bonds of such Series;
16. Any material change to the form of the Bonds of such Series and the form of the Trustee's certificate of authentication thereon from the forms set forth in Exhibit One to the Resolution. Except as otherwise provided pursuant to a Supplemental Resolution, all of the Bonds of each Series shall be in fully registered form without coupons;
17. Directions for the application of the proceeds of the Bonds of such Series;
18. To the extent applicable, direction to deliver such Series of Bonds in book-entry form to the extent materially different from the provisions of the Standard Resolution Provisions;
19. To the extent applicable, the provisions relating to (a) any Credit Facility, Qualified Swap or other similar financial arrangement entered into in connection with the issuance of the Bonds of such Series and (b) the obligations payable thereunder; and

20. Any other provision deemed advisable by an Authorized Officer of the Issuer, not in conflict with the provisions of the Resolution or of the applicable Supplemental Resolution.

An Authorized Officer of the Issuer to whom a Supplemental Resolution has delegated the power to determine any of the foregoing shall execute a Certificate of Determination evidencing such determinations or other actions taken pursuant to such delegation, and such Certificate of Determination shall be conclusive evidence of the determinations or actions of such Authorized Officer as to the matters stated therein. The matters set forth in any such Certificate of Determination shall have the same effect as if set forth in the related Supplemental Resolution;

(B) Counsel's Opinion in customary form to the effect that (i) the Issuer has the right and power under the Acts to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Issuer, is in full force and effect and is valid and binding upon the Issuer and enforceable in accordance with its terms, and no other authorization for the Resolution is required, (ii) the Resolution creates the valid pledge to the payment of the Bonds of the Pledged Property which it purports to create pursuant to the Standard Resolution Provisions, subject 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 Resolution, and (iii) upon the execution and delivery thereof and upon authentication by the Trustee, the Bonds of such Series will be valid and binding, special obligations of the Issuer payable as provided in, and enforceable in accordance with their terms and the terms of, the Resolution and entitled to the benefits of the Acts and the Resolution, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Acts, as amended to the date of such Counsel's Opinion, and in accordance with the Resolution;

(C) A certificate of an Authorized Officer of the Issuer stating that upon the delivery of the Bonds of such Series, the Issuer will not be in default in the performance of any of the terms, provisions or covenants of the Resolution or of any of the Bonds; provided, however, that solely with respect to Refunding Bonds being delivered on original issuance pursuant to the Standard Resolution Provisions, such certificate shall not be a condition to the authentication and delivery of such Refunding Bonds if and to the extent that a certificate of an Authorized Officer of the Issuer is delivered stating that upon the delivery of such Refunding Bonds the Issuer will no longer be in default in the performance of the terms, provisions or covenants of the Resolution or of any of the Bonds as specified in such certificate;

(D) A certificate of an Authorized Officer of the State stating that (i) to the best of such Authorized Officer's knowledge, no event of default under any Financing Agreements has occurred and is continuing nor will an event of default under any Financing Agreements occur as a result of the issuance of such Bonds, and (ii) the approval of the Director of the Budget for such financing;

(E) A copy of the Certificate of Determination, if any, executed in connection with such Series of Bonds;

(F) To the extent authorized by the Issuer pursuant to a Supplemental Resolution, one or more Credit Facilities with respect to any Series of Bonds and any agreements deemed necessary in connection therewith;

(G) A written order of an Authorized Officer of the Issuer as to the delivery of such Series of Bonds, describing such Bonds to be delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered and stating the consideration for such Bonds;

(H) A certificate of an Authorized Officer of the Issuer setting forth the amount of money, if any, to be deposited into the Debt Service Fund, equal to (a) the amount of capitalized interest funded with the proceeds of the Bonds of such Series, if any, and (b) the sum of the interest on the Bonds of such Series from the date of the Bonds of such Series to the date of delivery thereof;

(I) Any amounts (in the form of cash or Investment Obligations) required to be deposited with the Trustee at the time of issuance and delivery of the Bonds of such Series;

(J) Copies of the Financing Agreement applicable to such Series of Bonds; and

(K) Such further documents and moneys as are required by the provisions of the Standard Resolution Provisions or any Supplemental Resolution adopted pursuant to the Standard Resolution Provisions.

The Issuer may authorize by Supplemental Resolution the issuance of Capital Appreciation Bonds, Deferred Income Bonds, Variable Interest Rate Bonds, Put Bonds or any other form of Bond not in conflict with the provisions of the Resolution or of the applicable Supplemental Resolution.

The Issuer may authorize by Supplemental Resolution such other provisions relating to a Series of Bonds as are permitted by the Resolution.

The Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall they be payable out of any funds other than those of the Issuer pledged therefor pursuant to the Resolution.

(Section A-201)

Special Provisions for Additional Bonds

After the issuance of the initial Series of Bonds, one or more Series of Additional Bonds may be authorized and delivered upon original issuance for any Authorized Purpose, including payment of Costs of a Project and the refunding of Prior Obligations or Bonds or Parity Reimbursement Obligations or other indebtedness, upon receipt by the Trustee, in addition to any applicable requirements of the Standard Resolution Provisions, of the following:

1. A certificate by the Director of the Budget setting forth the most recent collections for any 12 consecutive calendar months ended not more than six months prior to the date of such certificate, of the taxes, fees, fines, penalties, or other monies which, as of the date of issuance of any such Series of Bonds, are levied, collected or imposed by or on behalf of the State and are required to be deposited into the Revenue Bond Tax Fund; provided, however, that if any taxes, fees, fines, penalties or other monies that are required to be deposited into such account were not so required to be deposited for all of such 12 calendar months, such certificate may nevertheless include the full amount of all such taxes, fees, fines, penalties, or other monies actually collected for such 12 calendar months;

2. (I) A certificate by an Authorized Officer of the Issuer setting forth the Calculated Debt Service on all Outstanding Bonds, including such Series of Additional Bonds to be issued and any additional amounts payable with respect to Parity Reimbursement Obligations for each State Fiscal Year for which such Bonds or Parity Reimbursement Obligations are Outstanding and (II) a certificate of the Director of the Budget, including the amount of Calculated Debt Service set forth in the certificate required by clause (2)(I) of this paragraph (based upon information furnished by each applicable Authorized Issuer pursuant to the related financing agreement), setting forth the calculated debt service (calculated in the same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) shall be made with respect to all Authorized Issuers that have issued bonds or parity reimbursement obligations pursuant to the Enabling Act, which bonds or parity reimbursement obligations are secured by payments to be made from the Revenue Bond Tax Fund for each State Fiscal Year for which such bonds or parity reimbursement obligations are outstanding; and

3. A certificate by the Director of the Budget stating that the amounts set forth pursuant to paragraph 1 above will be at least 2.0 times the maximum calculated debt service (calculated in the

same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) for all Authorized Issuers set forth in paragraph 2(II) above for any State Fiscal Year set forth pursuant to paragraph (2)(II) above.

(Section A-202)

Refunding Bonds

One or more Series of Refunding Bonds may be authenticated and delivered to refund all Outstanding Bonds of one or more Series of Bonds or Parity Reimbursement Obligations or any portion of a Series of Outstanding Bonds or Parity Reimbursement Obligations, or any outstanding Prior Obligations, in each case including all or any portion of a maturity. The Issuer may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding (including by redemption, payment at maturity or in connection with exchanges or tenders) and to make such deposits required by the provisions of this section and of the Supplemental Resolution authorizing such Series of Refunding Bonds.

(A) In addition to the applicable requirements of the Standard Resolution Provisions, Refunding Bonds of any Series issued to refund Outstanding Bonds or Parity Reimbursement Obligations shall be authenticated by the Trustee or otherwise delivered by the Trustee upon the receipt by the Trustee of:

- (1) If the Bonds to be refunded are to be redeemed, irrevocable instructions from the Issuer to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on a Redemption Date specified in such instructions;
- (2) If Bonds to be refunded are to be deemed paid, evidence of due publication of the notice provided for in the Standard Resolution Provisions to the Holders of the Bonds being refunded;
- (3) If Bonds to be refunded are to be deemed paid, either or both of
 - (i) moneys in an amount sufficient to effect payment of the principal at the maturity date therefor (or on exchange or tender) or the Redemption Price on the applicable Redemption Date of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or Redemption Date, which money shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, and
 - (ii) Government Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Standard Resolution Provisions, which Government Obligations and moneys shall be held in trust and used only as provided in the Standard Resolution Provisions; and
- (4) Either (i) a certificate of an Authorized Officer of the Issuer (a) setting forth (A) the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds (including the Refunding Bonds then proposed to be issued but excluding the Bonds or Parity Reimbursement Obligations to be refunded or purchased) and (B) the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds as calculated immediately prior to the issuance of the Refunding Bonds (including the Bonds or Parity Reimbursement Obligations to be refunded or purchased but excluding the Refunding Bonds) and (b) stating

that the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (A) above is not greater than the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (B) above; or (ii) the certificates required by the Standard Resolution Provisions with respect to such Series of Refunding Bonds, considering for all purposes of such certificate that the Refunding Obligations then proposed to be issued will be Outstanding but the Bonds or Parity Reimbursement Obligations to be refunded will no longer be Outstanding.

(B) In addition to the applicable requirements of the Standard Resolution Provisions, Refunding Bonds of any Series issued to refund in whole or in part any Prior Obligations shall be authenticated or otherwise delivered by the Trustee upon the receipt by the Trustee of the certificates required to be delivered in connection with the issuance of Additional Bonds in the Standard Resolution Provisions; and shall otherwise comply with any applicable requirements in connection with a refunding set forth in the resolutions which authorized the issuance of such Prior Obligations.

(C) The proceeds, including accrued interest, of such Refunding Bonds shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or determined in accordance with the Supplemental Resolution authorizing such Refunding Bonds or the related Certificate of Determination.

(Section A-203)

Credit Facilities; Qualified Swaps and other similar arrangements; Parity Reimbursement Obligations

The Issuer may include such provisions in a Supplemental Resolution or related Certificate of Determination authorizing the issuance of a Series of Bonds secured by a Credit Facility as the Issuer deems appropriate, including:

So long as the Credit Facility is in full force and effect, and payment on the Credit Facility is not in default and the provider of the Credit Facility is qualified to do business in the State, and (a) no proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of the provider of the Credit Facility in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property or for the winding up or liquidation of the affairs of the provider of the Credit Facility and such proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) days or such court shall enter a decree or order granting the relief sought in such proceeding, or (b) the provider of the Credit Facility shall not have commenced a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall not have consented to the entry of an order for relief in an involuntary case under any such law, or shall not have consented to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property, or shall not have made a general assignment for the benefit of creditors, or shall not have failed generally to pay its debts as they become due, or shall not have taken any corporate action with respect to any of the foregoing, then, in all such events, the provider of the Credit Facility shall be deemed to be the sole Holder of the Outstanding Bonds the payment of which such Credit Facility secures when the approval, consent or action of the Bondholders for such Bonds is required or may be exercised under the Resolution, including, without limitation, under the captions "Supplemental Resolutions" and "Amendments", and following a default under the caption "Defaults and Remedies; Defeasance", except where the Credit Facilities provide only liquidity support and not credit support.

In the event that the principal, Sinking Fund Installments, if any, and Redemption Price, if applicable, and interest due on any Bonds Outstanding, or the purchase price of puts in connection with such Bonds, shall be paid under the provisions of a Credit Facility, all covenants, agreements and other obligations of the Issuer to the Bondholders of such Bonds shall continue to exist and such provider of the Credit Facility shall be subrogated to the rights of such Bondholders in accordance with the terms of such Credit Facility.

(a) In addition, such Supplemental Resolution or related Certificate of Determination may establish such provisions as are necessary (i) to comply with the provisions of each such Credit Facility, (ii) to provide relevant information to the provider of the Credit Facility, (iii) to provide a mechanism for paying Principal Installments and interest on such Series of Bonds under the Credit Facility, and (iv) to make provision for any events of default or for additional or improved security required by the provider of a Credit Facility.

(b) In connection therewith the Issuer may enter into such agreements with the issuer of such Credit Facility providing for, inter alia: (i) the payment of fees and expenses to such provider for the issuance of such Credit Facility; (ii) the terms and conditions of such Credit Facility and the Series of Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facility.

(c) The Issuer may secure such Credit Facility by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Issuer in the applicable Supplemental Resolution. The Issuer may also in an agreement with the provider of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation") solely from Pledged Property; provided, however, that no Reimbursement Obligation shall be created, for purposes of the Resolution, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Bond, may be secured by a pledge of, and a lien on, Pledged Property on a parity with the lien created by the Resolution, but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Any Reimbursement Obligation conforming with the provisions of the previous sentence shall be deemed a "Parity Reimbursement Obligation". Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds. Parity Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds." Any such Parity Reimbursement Obligation shall be deemed to be a part of the Series of Bonds to which the Credit Facility which gave rise to such Parity Reimbursement Obligation relates.

(d) Any such Credit Facility shall be for the benefit of and secure such Series of Bonds or portion thereof as specified in the applicable Supplemental Resolution.

(e) In connection with the issuance of a Series of Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the Issuer also may enter into Qualified Swaps or, to the extent from time to time permitted pursuant to law, other similar arrangements if the Issuer determines that such Qualified Swaps or other similar arrangements will assist the Issuer in more effectively managing its interest costs. To the extent provided in a Supplemental Resolution or related Certificate of Determination, the Issuer's obligation to pay Qualified Swap Payments under any Qualified Swap may be secured by a pledge of, and a lien on, the Subordinated Payment Fund. Qualified Swap Payments may include any payments of any termination or other fees, expenses, indemnification or other obligations to a Qualified Swap Provider, or any payments that represent payment of interest thereunder in advance of the payment of interest on the Bonds to which such Qualified Swap relates.

(f) Parity Reimbursement Obligations shall not be a debt of the State and the State shall not be liable thereon, nor shall Parity Reimbursement Obligations be payable out of any funds other than those of the Issuer pledged therefor pursuant to the Resolution.

(Section A-204)

Bond Anticipation Notes

Whenever the Issuer shall have, by Supplemental Resolution, authorized the issuance of a Series of Bonds, the Issuer, subject to certain special provisions for additional bonds under the Standard Resolution Provisions, may by adoption of a Supplemental Resolution authorize the issuance of Bond Anticipation Notes in anticipation of the issuance of such authorized Series of Bonds, in a principal amount not exceeding the principal amount of the Bonds of such Series so authorized. The principal of and premium, if any, and interest on such Bond Anticipation Notes and any renewals of such Bond Anticipation Notes shall be payable only from (i) the proceeds of any renewals of such Bond Anticipation Notes issued to repay such Bond Anticipation Notes, (ii) the proceeds of the sale of the Series of Bonds in anticipation of which such Bond Anticipation Notes are issued, (iii) any amounts provided by the State and/or the federal government expressly for payment of such Bond Anticipation Notes, or (iv) the proceeds of such Bond Anticipation Notes deposited in any Fund or account under the Resolution. Such proceeds and other amounts set forth in clauses (i), (ii), (iii) and (iv) may be pledged for the payment of the principal of and premium, if any, and interest on such Bond Anticipation Notes and any such pledge shall have priority over any other pledge created by the Resolution. In any case, such Bond Anticipation Notes shall be retired or provision shall be made for their retirement not later than the date of authentication and delivery of the Series of Bonds in anticipation of which they are issued. The proceeds of the sale of Bond Anticipation Notes, other than renewals thereof, shall be applied to the purposes for which the Bonds in anticipation of which such Bond Anticipation Notes are authorized and shall be deposited in the appropriate Fund or account established by the Resolution for such purposes and, if so provided in the resolution authorizing renewals of Bond Anticipation Notes issued to pay outstanding Bond Anticipation Notes, applied directly to such payment. Interest earned on any amounts on deposit in any Fund or account under the Resolution representing the proceeds of any Bond Anticipation Notes shall be applied in the manner set forth in the Supplemental Resolution authorizing such Bond Anticipation Notes or the related Certificate of Determination.

(Section A-205)

Additional Obligations

The Issuer reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Issuer, so long as such bonds, notes or other obligations are not, or such indebtedness is not, except as provided in the Resolution, entitled to a charge, lien or right prior or equal to the charge or lien on the Pledged Property created by the Resolution, or prior or equal to the rights of the Issuer and Holders of Bonds.

(Section A-206)

Redemption at the Election of the Issuer; Redemption other than at Issuer's Election; Selection of Bonds to be Redeemed

In the case of any redemption of Bonds of a Series at the election of the Issuer, such Bonds may be redeemed at the option of the Issuer as provided in the Supplemental Resolution authorizing such Bonds. In exercising such option, the Issuer shall give written notice to the Trustee and any Paying Agent of its election to redeem, including the Series designation, the principal amounts and the maturities of such Bonds so elected. The Series designation, maturities and principal amounts thereof to be redeemed shall be determined by the Issuer in its sole discretion, subject to any limitations with respect thereto contained in the

Resolution. Such notice shall be given to the Trustee at least forty-five (45) days prior to the date on which the Bonds of such Series are to be redeemed, or such fewer number of days as shall be acceptable to the Trustee.

Whenever by the terms of the Resolution, Bonds are required to be redeemed otherwise than at the election of the Issuer, the Trustee shall select the Bonds to be redeemed, give the notice of redemption and pay out of money available therefor the Redemption Price to the appropriate Paying Agents in accordance with the terms of the Standard Resolution Provisions. The Trustee shall have no liability in making such selection.

In the event of redemption of less than all of the Outstanding Bonds of a Series and maturity, the Trustee shall assign to each such Outstanding Bond of such Series and maturity or portion of a maturity 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 such 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 provided in the Standard Resolution Provisions) 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 of such Series 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 such Bonds and select part of any such Bonds for redemption.

(Sections A-402, A-403, and A-404)

The Pledge Effected by the Resolution

The Bonds are special obligations of the Issuer payable solely from the sources set forth in this section. There is pledged for the payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds and of Parity Reimbursement Obligations, in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof (and to the provisions authorizing Subordinated Indebtedness in the Resolution) for the purposes and on the terms and conditions set forth in the Resolution, all right, title and interest of the Issuer in the Pledged Property. Such pledge is for the equal and proportionate benefit and security of all and singular the present and future Holders of Bonds and obligees of Parity Reimbursement Obligations issued and to be issued under the Resolution, without preference, priority or distinction, except as otherwise provided in the Standard Resolution Provisions, of any one Bond or Parity Reimbursement Obligation over any other Bond or Parity Reimbursement Obligations, by reason of priority in the issue, sale or negotiation thereof or otherwise. The pledge and lien created by the Resolution for the Bonds and Parity Reimbursement Obligations shall be superior in all respects to any pledge or lien now or hereafter created for indebtedness or other obligations secured by the Subordinated Payment Fund.

The Issuer represents and warrants that under the Enabling Act (i) the pledge set forth in the first paragraph of this section is and shall be valid and binding from and after the date of issuance and delivery of the first Series of Bonds, and the items set forth in such pledge are and shall be immediately subject to the lien of such pledge without any physical delivery thereof or further act and the lien of such pledge is and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer irrespective of whether such parties have notice thereof; and (ii) neither the Resolution nor any other instrument need be recorded or filed to protect the pledge set forth in the aforementioned section.

The revenues, facilities, properties and any and all other assets of the Issuer, or of any subsidiary thereof, other than the Pledged Property, shall not be used for, or as a result of any court proceeding or otherwise, applied to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price, of and interest on the Bonds, and under no circumstances shall the aforementioned be available for such purpose, nor shall there be any recourse against any other assets, revenues or funds of or other payments due to the Issuer, other than the Pledged Property.

The State has no obligation to continue the imposition of the taxes or the sources of any other funds deposited in the Revenue Bond Tax Fund pursuant to Section 92-z, nor to maintain such taxes or the sources of any other funds at any minimum level, and moneys in the Revenue Bond Tax Fund are not pledged to the payment of the Bonds or Parity Reimbursement Obligations prior to appropriation and transfer to the Issuer or the Trustee.

The obligation of the Comptroller under Section 92-z with respect to moneys on deposit in the Revenue Bond Tax Fund are subject to the rights of holders of debt of the State.

Nothing contained in this section shall be deemed a limitation upon the authority of the Issuer to issue bonds, notes or other obligations under the Issuer Act secured by other income and funds other than the Pledged Property.

(Section A-501)

Payment of Bonds

The Issuer shall duly and punctually pay or cause to be paid the principal, Sinking Fund Installments, if any, Redemption Price of, and interest on every Bond, at the dates and places and in the manner set forth in the Bonds according to the true intent and meaning thereof.

(Section A-601)

Extension of Payment of Bonds

The Issuer shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and, in case the maturity of any of the Bonds or the time for payment of any claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Resolution, to the benefit of the Resolution or to any payment out of any assets of the Issuer or the Funds and accounts (except Funds and accounts held in trust for the payment of particular Bonds or claims for interest pursuant to the Resolution) held by the Trustee, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such claims for interest. Nothing in the Resolution shall be deemed to limit the right of the Issuer to issue Refunding Bonds as permitted by the Resolution and by the Issuer Act and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds refunded.

(Section A-602)

Offices for Servicing Bonds

The Issuer shall at all times maintain an office or agency in the State, where Bonds may be presented for payment, registration, transfer or exchange and where notices, presentations and demands upon the Issuer in respect of the Bonds or of the Resolution may be served. The Issuer appoints the Trustee as its agent to maintain such office or agency in the State for the registration, transfer or exchange of Bonds, for the authentication of Bonds, and for the payment of Bonds.

(Section A-603)

Further Assurance

At any time and all times the Issuer shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the Pledged Property pledged or assigned by the Resolution, or intended so to be, or which the Issuer may hereafter become bound to pledge or assign. The Issuer further covenants that it shall use its best efforts, to the extent authorized by law, to cause the Director of the Budget to make and deliver the certificates referred to in the Standard Resolution Provisions at the times required therein and shall cause the amounts so received to be deposited in the appropriate Funds.

(Section A-604)

Power to Issue Bonds and Pledge Revenues and Other Funds

The Issuer is duly authorized under the Acts, and all applicable laws to create and issue the Bonds, to adopt the Resolution and to pledge the Pledged Property purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. Except to the extent otherwise provided in the Standard Resolution Provisions, the Pledged Property is and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable special obligations of the Issuer in accordance with their terms and the terms of the Resolution. The Issuer further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all of the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

(Section A-605)

Creation of Liens

Except in accordance with the provisions of the Standard Resolution Provisions, the Issuer shall not hereafter issue any bonds or other evidences of indebtedness, other than the Bonds, Parity Reimbursement Obligations and Bond Anticipation Notes, secured by an equal or prior pledge of all or any part of the Pledged Property, and shall not create or cause to be created any equal or prior lien or charge on the Pledged Property except as provided in the Resolution; provided, however, that nothing contained in the Resolution shall prevent the Issuer from issuing (i) evidences of indebtedness payable out of, or secured by a pledge of, Revenues to be derived on and after such date as the pledge of the Revenues provided in the Resolution shall be discharged and satisfied as provided in the Standard Resolution Provisions or (ii) evidences of indebtedness secured by the Subordinated Payment Fund.

(Section A-606)

Certificate of the Director of the Budget

In order to assure the maintenance of the Funds and accounts held under the Resolution, not later than thirty days after the submission of the executive budget for the ensuing State Fiscal Year in accordance with the State Constitution, the Issuer shall to the extent authorized by law use its best efforts to enforce the obligation set forth in the Financing Agreement of the Director of the Budget to certify to the Comptroller in accordance with subdivision 5(b) of Section 92-z and the Standard Resolution Provisions a schedule setting forth the following:

(a) The amount of receipts certified and estimated to be deposited on a monthly basis to the Revenue Bond Tax Fund; and

(b) The amount of monthly cash requirements so certified by the Director of the Budget for such State Fiscal Year which shall be at least equal to:

1. all payments of principal, Sinking Fund Installments, if any, and Redemption Price, of Outstanding Bonds due in such State Fiscal Year;
2. the amounts required to pay all interest on Outstanding Bonds (including interest at the Estimated Average Interest Rate for Variable Interest Rate Bonds or under the related Reimbursement Obligation) and any additional amounts due with respect to related Parity Reimbursement Obligations due in such State Fiscal Year;
3. all Issuer Expenses for such State Fiscal Year;
4. all principal of and interest or other amounts payable from the Subordinated Payment Fund and due in such State Fiscal Year;
5. any amounts required to rebate to the Department of the Treasury of the United States of America and not otherwise held in the Funds and accounts under the Resolution;
6. all other payment requirements referred to in the Enabling Act for such State Fiscal Year.

The schedule accompanying the certificate of the Director of the Budget shall also provide for payments as the Director of the Budget deems appropriate to ensure that sufficient funds will be available from the sources, including without limitation revenues derived from the taxes and fees deposited in the Revenue Bond Tax Fund in accordance with Section 92-z, to enable the Issuer to meet its obligations under the Resolution as they become due; provided, however, that such schedule shall require the Comptroller to set aside, on a monthly basis, amounts in the Revenue Bond Tax Fund such that the combined total of (i) the amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) the monthly amounts, as provided for in paragraph (a) above, required to be deposited to the Revenue Bond Tax Fund in such month is not less than one hundred twenty-five percent (125%) of the monthly cash requirements, as provided for in paragraph (b) above, to be paid by the Comptroller to the Trustee, on behalf of the Issuer, in the following month. Financing Agreement Payments shall be paid to the Trustee on or before the fifth Business Day preceding the date on which such payment is due; and provided, further, that to ensure sufficient funds will be available from the sources just described to meet the Issuer's obligations when due, such schedule shall require the Comptroller to pay (x) all moneys set aside pursuant to subdivision 5 of Section 92-z less (y) the Issuer's estimate of investment earnings available therefor on Funds and accounts established under the Resolution and other amounts available under the Resolution, which such estimate shall be made at least once each calendar month prior to the making of any transfer pursuant to subdivision 5 of Section 92-z.

The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the schedule required to accompany such certification, from time to time, to assure that such certification, together with the accompanying schedule, accurately sets forth any and all amounts required or projected by the Issuer for the purposes and at the times prescribed by subdivision 5 of Section 92-z. The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the accompanying schedule if additional amounts are required to make any payment of principal, Sinking Fund Installments, if any, and Redemption Price of or interest on Bonds or with respect to Parity Reimbursement Obligations.

In any event, whether or not there has been any intervening requirement to revise such certificate under this section, promptly but in no event later than 30 days after the date of the issuance of any Series of Bonds under the Resolution or the issuance of any Parity Reimbursement Obligation, or other evidence of indebtedness payable from the Subordinated Payment Fund or otherwise, the Director of the Budget shall

submit a revised certification, together with the accompanying schedule, which accurately sets forth any and all amounts required or projected to be required by the Issuer as of such date for the purposes and at the times prescribed by the terms of this section.

The agreement of the State under Section 68-c shall be deemed executory only to the extent of appropriations available for payments under Section 68-c and no liability on account of any such payment shall be incurred by the State beyond such appropriations.

(Section A-607)

Agreement With the Director of the Budget

The Issuer shall only issue or incur Bonds (including Refunding Bonds), Parity Reimbursement Obligations or other obligations under the Resolution (including obligations incurred pursuant to the Standard Resolution Provisions) with the written approval of the Director of the Budget. The Issuer shall enter into one or more Financing Agreements with the State, acting through the Director of the Budget, as provided in subdivision 1 of Section 68-c providing for the specific manner, timing and amount of payments to be made under Section 68-c and the Resolution. The Issuer shall approve the form and substance of such Financing Agreement with respect to any Series of Bonds prior to or concurrently with the adoption of the applicable Supplemental Resolution and shall use its best efforts, to the extent permitted by law, to take all steps necessary or appropriate to enforce such Financing Agreement and to assure compliance by the State therewith. The Issuer shall not enter into any such Financing Agreement that is not in conformity with the Acts and the Resolution.

(Section A-608)

Agreement With the State

In accordance with the provisions of the Enabling Act and to the extent applicable, the Issuer Act, the Issuer includes in the Resolution, to the fullest extent enforceable under applicable federal and State law, the pledge to and agreement with the Holders of the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations issued or incurred under the Resolution made by the State and set forth in the Acts that the State will not in any way impair the rights and remedies of such Holders until such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations and other obligations issued or incurred under the Resolution, together with interest thereon, with interest, if any, on any unpaid installments of interest and all costs and expenses in connection with any action or proceedings by or on behalf of such Holders, are fully met and discharged.

Notwithstanding any other provision of the Resolution, nothing contained in the Acts or the Resolution shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to taxes imposed pursuant to Article 22 of the Tax Law. The Issuer and the Holders of the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations and other obligations issued under the Resolution expressly agree that it shall be an integral part of the contract arising under the Resolution that no default thereunder occur as a result of the State exercising its right to amend, repeal, modify or otherwise alter any such tax.

(Section A-609)

Amendment of Financing Agreements

The Issuer shall not amend, change, modify, alter or terminate any Financing Agreement so as to materially adversely affect the right, security and interest of the Holders of the Outstanding Bonds without the prior written consent of the provider of a Credit Facility, if any, affected thereby, or, in the event that there is no Credit Facility in place with respect to the Series of Bonds affected thereby, without the prior written

consent of at least a majority in aggregate principal amount of the Holders of the Bonds then Outstanding and affected thereby; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds remain Outstanding, the consent of the providers of the Credit Facility, if any, or 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. Any Financing Agreement may be amended, supplemented, changed, modified or altered without the consent of the provider of the Credit Facility, if any, or the Holders of Outstanding Bonds to provide changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise, or the providing, furnishing and equipping of a Project or which may be added to such Project, or to provide for additional Financing Agreement Payments; and any Financing Agreement may be amended, supplemented, changed, modified or altered without such consent to cure any ambiguity, or to correct or supplement any provisions contained in any Financing Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in such Financing Agreement and which the Issuer determines will not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds or the provider of a Credit Facility, as the case may be. In no event shall changes relating solely to Projects, including schedules related thereto, be deemed to materially adversely affect such Holders or providers of Credit Facilities. Upon execution by the Issuer of any amendment, a copy thereof certified by the Issuer shall be filed with the Trustee and each provider of the Credit Facility affected thereby.

For the purposes of this section, Bonds shall be deemed to be materially adversely affected by an amendment, change, modification or alteration of any Financing Agreement if the same materially adversely affects or diminishes the rights, security and interest of the Holders of the Bonds or the provider of a Credit Facility, as the case may be. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds or the right, security and interest of the Holders of Outstanding Bonds or the provider of a Credit Facility, as the case may be, would be materially adversely affected by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the provider of a Credit Facility, the Trustee and all Holders of Bonds; and, provided further, however, any such amendments deemed necessary by the Issuer to effect any assumption, extinguishment and substitution authorized by the Standard Resolution Provisions shall not be deemed to materially adversely affect the Bonds.

For all purposes of this section, the Issuer shall be entitled to rely upon a Counsel's Opinion (a copy of which shall be provided by the Issuer to any provider of a Credit Facility thereby affected), with respect to whether any amendment, change, modification or alteration materially adversely affects the right, security and interest of any Holders of Bonds and any provider of a Credit Facility of a Series then Outstanding.

(Section A-610)

Enforcement of Duties and Obligations of the State

The Issuer shall use its best efforts, to the extent permitted by law, to cause the State to perform fully all duties and acts and comply fully with the covenants of the State required by any Financing Agreement in the manner and at the times provided in such Financing Agreement provided, however, that the Issuer may delay, defer or waive enforcement of one or more provisions of said Financing Agreement (other than provisions requiring the payment of moneys to any Fund or account established under the Resolution), if the Issuer determines such delay, deferment or waiver will not materially adversely affect the right, security and interest of the Holders of the Bonds of the applicable Series or the issuer of any Credit Facility.

(Section A-611)

Reservation of State Rights of Assumption, Extinguishment and Substitution

It is expressly understood and agreed by the Issuer and the Holders or other obligees of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution to be an integral part of the contract arising under the Resolution that, in accordance with subdivision 6 of Section 68-c, the State reserves the right, upon amendment of the State Constitution to permit the issuance of State Revenue Bonds, which may be payable from or secured by revenues that include the Revenues pledged under the Resolution, (i) to assume, in whole or in part, the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations of the Issuer issued or incurred under the Resolution, (ii) to extinguish the existing lien on Pledged Property created under the Resolution, and (iii) to substitute security or source of payment for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution, in each case only so long as such assumption, extinguishment and substitution is accomplished in accordance with this section. (Any Bonds paid or deemed to have been paid in accordance with the Standard Resolution Provisions on or before the date of any assumption, extinguishment and substitution shall not be taken into account in determining compliance with the provisions of this section.)

Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and
2. any State Revenue Bonds resulting from such assumption, extinguishment and substitution shall be secured by revenues that may include all the Revenues securing the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as of the day immediately preceding such assumption, extinguishment and substitution, and the provisions of the Enabling Act relating to security for or payment of the Bonds and Parity Reimbursement Obligations shall remain in full force and effect in substantially the form they existed immediately prior to such assumption, extinguishment and substitution and shall not have been amended in connection therewith except to the extent necessary or convenient to permit the Revenues and the Revenue Bond Tax Fund to be sources of payment or security for the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution; provided, however, that in connection with any such assumption, extinguishment and substitution, it is expressly understood and agreed by all Bondholders and all providers of Credit Facilities that the Enabling Act may be amended to delete the transfer from the general fund as set forth in paragraph (b) of subdivision 5 of Section 92-z and paragraph (a) of subdivision 5 of Section 92-z may be amended to delete the requirement that Financing Agreement Payments be appropriated before any moneys held pursuant to such Section 92-z are transferred to the general fund; and
3. any resolution or trust agreement securing the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution shall contain limitations on amendment powers no less restrictive than those set forth in the Standard Resolution Provisions, and shall include events of default to the effect of those contained in the Standard Resolution Provisions and shall grant the remedies contained in the Standard Resolution Provisions, provided that the Comptroller or the Attorney General of the State may serve in

the capacity of the Trustee for such purposes and the State or other issuer of State Revenue Bonds may be substituted for the Issuer in the Standard Resolution Provisions, and shall include defeasance provisions no less restrictive than those set forth in the Standard Resolution Provisions; and

4. the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution shall have the same or superior priority of claim on the revenues securing such obligations as that provided by the Resolution; and
5. any resolution or trust agreement securing the State Revenue Bonds resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations secured under the Resolution shall contain a covenant of the State substantially to the effect of the covenant contained in the Standard Resolution Provisions; and
6. the Issuer shall furnish the Trustee and any provider of a Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution (A) complies with the provisions of this section and the Enabling Act and (B) will have no adverse effect on the federal or State tax status of interest on the Bonds.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to this section (or brief summary thereof or reference thereto) shall be mailed by the Issuer to such Bondholders and providers of Credit Facilities to the extent affected thereby (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when effected as in this section).

Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and
2. with respect to all Bonds Outstanding, written consent to such assumption, extinguishment and substitution shall be given as provided in the Resolution by the Holders of at least a majority in principal amount of such Bonds Outstanding at the time such consent is given; and
3. the Issuer shall furnish the Trustee and any provider of a Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution complies with the provisions of this section and the Enabling Act.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to this section (or brief summary thereof or reference thereto) together with a request to the Bondholders indicated above for their consent thereto, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when consented to as in this section). No such assumption, extinguishment and substitution pursuant to this subdivision shall be effective unless and until there shall have been filed with the Issuer (i) the written consents of Holders of the percentages of Outstanding Bonds specified in this subdivision, and (ii) the

aforementioned Counsel's Opinion. Each such consent of a Bondholder 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 Standard Resolution Provisions. A certificate or certificates by an Authorized Officer of the Issuer filed with the Issuer that such Authorized Officer has examined such proof and that such proof is sufficient in accordance with the Standard Resolution Provisions shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such Authorized Officer. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the Standard Resolution Provisions 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 such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when the written statement of the Issuer provided for in this section is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that such assumption, extinguishment and substitution have been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this section, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such assumption, extinguishment and substitution from becoming effective and binding as in this section) and, in the sole discretion of the Issuer, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents and the written statement of the Issuer above provided for is filed (but failure to publish such notice shall not prevent such assumption, extinguishment and substitution from becoming binding as in this section). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by this section to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such assumption, extinguishment and substitution shall be deemed conclusively binding upon the State, the Issuer, the Trustee, and the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing 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 assumption, extinguishment and substitution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such assumption, extinguishment and substitution as it may deem expedient.

Upon the effective date of any such assumption, extinguishment and substitution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee and any Paying Agents shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Resolution which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption.

(Section A-612)

Accounts and Reports

The Issuer shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all its transactions relating to all Funds and accounts established by the Resolution which shall at all reasonable times be subject to the inspection of the Holders of an aggregate of not less than twenty-five per cent (25%) in the principal amount of the Bonds then Outstanding or their representatives duly authorized in writing. The Issuer may authorize or permit the Trustee or its duly authorized agents to keep any or all of such books on behalf of the Issuer.

(Section A-613)

Tax Covenants

The Issuer shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds issued as Tax-Exempt Bonds shall be not included in the gross income of the owners thereof for purposes of federal income taxation.

Notwithstanding the foregoing, the Issuer reserves the right, in a Supplemental Resolution authorizing the issuance of obligations, to elect to issue Taxable Bonds.

(Section A-614)

General

The Issuer shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Issuer under the provisions of the Acts and the Resolution in accordance with the terms of such provisions.

Upon the date of issuance of any of the Bonds, all conditions, acts and things required by the Constitution and statutes of the State, including the Acts and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds, shall exist, have happened and have been performed and the issue of such Bonds, together with all other indebtedness of the Issuer, shall be within every debt and other limit prescribed by the laws of the State.

(Section A-615)

Notice as to Event of Default

The Issuer shall notify the Director of the Budget, the Comptroller, each issuer of a Credit Facility and the Trustee in writing that an "Event of Default", as such term is defined in the Standard Resolution Provisions, has occurred and is continuing, which notice shall be given within thirty (30) days after the Issuer has obtained actual knowledge thereof; provided, however, that the Issuer shall provide each of the foregoing with immediate notice of any payment default after the Issuer has obtained actual knowledge thereof.

(Section A-616)

Other Bonds Authorized by the Enabling Act

The Bonds authorized by the Resolution are authorized by the Enabling Act. All bonds issued pursuant to the Enabling Act, whenever issued and by whichever Authorized Issuer, have equal claim to all moneys available subject to appropriation from the Revenue Bond Tax Fund pursuant to the Enabling Act, and further subject to provisions in the Resolution or other such resolutions authorizing such bonds relating to subordination.

(Section A-617)

Investment of Funds

Amounts in the Funds and accounts established by Section 502 of the Resolution may be invested only in Investment Obligations. The Trustee shall make such investments in any Funds or accounts held by the Trustee in accordance with any instructions received from an Authorized Officer of the Issuer. Except as otherwise provided in the resolution authorizing any series of Bond Anticipation Notes, interest earned by the investment of moneys in each Fund or account under the Resolution shall be held, deposited or transferred in accordance with the Resolution. The Trustee shall have no obligation to invest or reinvest amounts as contemplated by the Resolution except upon the direction of an Authorized Officer of the Issuer as to specific investments. Any such direction, if not in writing, shall be promptly confirmed in writing.

Investment Obligations on deposit in the Funds and accounts held under the Resolution shall have maturity dates, or shall be subject to redemption or tender at the option of the Issuer or the Trustee on the respective dates specified by an Authorized Officer of the Issuer, as appropriate, which dates shall be on or prior to the respective dates on which the moneys invested therein are expected to be paid for the purposes of such Funds and accounts. The Issuer, or the Trustee, upon the instructions of an Authorized Officer of the Issuer, shall sell any Investment Obligations held in any Fund or account to the extent required for payments from such Fund or account. The proceeds of such sales, and of all payments at maturity or upon redemption of such investments, shall be held in the applicable Fund or account to the extent required to meet the requirements of such Fund or account. Losses, if any, realized on Investment Obligations held in any Fund or account shall be debited to such Fund or account. In computing the amount of such Funds and accounts, investments shall be valued at par, or if purchased at other than par, shall be valued at Amortized Value, plus accrued interest. Accrued interest received upon the sale of any Investment Obligation to the extent such amount exceeds any accrued interest paid on the purchase of such Investment Obligation shall be treated as interest earned on such Investment Obligation for purposes of this section.

Nothing in the Resolution shall prevent any Investment Obligations acquired as investments of or security for any Fund, account or subaccount held under the Resolution from being held in book-entry form.

(Section A-701)

Trustee; Appointment and Acceptance of Duties

The Trustee shall be appointed in the Supplemental Resolution authorizing the issuance of the first Series of Bonds under the Resolution. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by written instrument of acceptance delivered to the Issuer.

(Section A-801)

Paying Agents; Appointment and Acceptance of Duties

The Issuer may, in its discretion, appoint one or more Paying Agents for the Bonds of any Series in the Supplemental Resolution authorizing such Bonds at least one of which shall have an office for the transaction of business in the State, and may at any time or from time to time appoint one or more other Paying Agents in the manner and subject to the conditions set forth in the Standard Resolution Provisions for the appointment of a successor Paying Agent.

Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by executing and delivering to the Issuer a written acceptance thereof.

The principal offices of the Paying Agents are designated as the respective offices or agencies of the Issuer for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds.

(Section A-802)

Responsibilities of Fiduciaries

The recitals of fact in the Standard Resolution Provisions and in the Bonds shall be taken as the statements of the Issuer and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Resolution or of any Bonds issued thereunder or in respect of the security afforded by the Resolution, and no Fiduciary shall incur any responsibility in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to (i) the issuance of the Bonds for value, (ii) the application of the proceeds thereof except to the extent the proceeds are received by it in its capacity as Fiduciary, or (iii) the application of any moneys paid to the Issuer or others in accordance with the Resolution except as to the application of any moneys paid to it in its capacity as Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties under the Resolution except for its own negligence or willful misconduct. Subject to the foregoing, the Issuer may designate any Fiduciary to undertake any duty in the Resolution of the Issuer with respect to collection, accounting, review of and notice for any consents required thereunder.

(Section A-803)

Evidence on Which Fiduciaries May Act

Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document believed by it in good faith to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Issuer, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Resolution in good faith and in accordance therewith.

Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the Issuer. Such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Resolution upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

Except as otherwise expressly provided in the Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Issuer to any Fiduciary shall be sufficiently executed if executed in the name of the Issuer by an Authorized Officer.

(Section A-804)

Compensation

The Issuer shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the 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. The Issuer further agrees to the extent permitted by law to indemnify and save each such Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Resolution, and which are not due to its negligence or willful misconduct. The Issuer's obligation to make any payment pursuant to this section shall be limited to payment from amounts made available therefor pursuant to the Financing Agreements.

(Section A-805)

Certain Permitted Acts

Any Fiduciary may become the owner of or deal in any Bonds as fully with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as Securities Depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Resolution, whether or not any such committee shall represent the Holders of a majority in aggregate principal amount of the Bonds then Outstanding in respect of which any such action is taken.

(Section A-806)

Resignation of Trustee

The Trustee may at any time resign and be discharged of its duties and obligations created by the Resolution by giving not less than sixty (60) days' written notice to the Issuer, specifying the date when such resignation shall take effect, and mailing notice thereof, to the Holders of all Bonds then Outstanding, and such resignation shall take effect on the day specified in such notice unless previously a successor shall have been appointed as provided in the Resolution, in which event such resignation shall take effect immediately upon the appointment of such successor; provided, however, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee.

(Section A-807)

Removal of Trustee

The Issuer may at any time remove the Trustee initially appointed or any successor thereto by written notice of such removal mailed by first class mail to the Trustee except that the Trustee may not be removed by the Issuer during the pendency of an Event of Default; provided, however, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee. Notice of the removal of the Trustee shall be mailed by first class mail to the registered Holders of all Bonds then Outstanding at least 30 days prior to such removal.

(Section A-808)

Appointment of Successor Trustee

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Issuer shall appoint a successor Trustee. The Issuer shall cause notice of any such appointment to be mailed to all Holders of Bonds then Outstanding.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this section within 30 days after the Trustee shall have given to the Issuer written notice as provided in the Standard Resolution Provisions or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any Trustee appointed under the provisions of this section in succession to the Trustee shall be a bank or trust company organized under the laws of the State of New York or a national banking association and having Fiduciary Capital Funds of at least \$100,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-809)

Transfer of Rights and Property to Successor Trustee

Any successor Trustee appointed under the Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Issuer, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Issuer, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under the Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Resolution. Should any deed, conveyance or instrument in writing from the Issuer be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers, and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Issuer. Any such successor Trustee shall promptly notify the Paying Agents, if any, of its appointment as Trustee.

(Section A-810)

Merger or Consolidation

Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which such Fiduciary may sell or transfer all or substantially all of its business, or all of its non-private trust administration business, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act; provided such company shall be a bank having trust powers or a trust company organized under the laws of the State or a national banking association and shall, if it previously had not had such an office, have an office for the transaction of its business in the State, and shall be authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-811)

Resignation or Removal of Paying Agent and Appointment of Successor

Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least sixty (60) days' written notice to the Issuer and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and signed by the Issuer. Any successor Paying Agent may be appointed by the Issuer and (subject to the requirements of the Standard Resolution Provisions) shall be a bank having trust powers or trust company in good standing organized under the laws of any state of the United States of America or a national banking association, duly authorized to exercise trust powers and subject to examination by federal or state Corporation, having Fiduciary Capital Funds of at least \$100,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor or if there shall be no successor, to the Issuer. In the event that for any reason there shall be a vacancy in the office of Paying Agent, the Issuer shall act as such Paying Agent.

(Section A-812)

Adoption and Filing

The Issuer may adopt at any time or from time to time a Supplemental Resolution to authorize the issue of the initial Series of Bonds and of additional Series of Bonds and the incurrence of Parity Reimbursement Obligations as provided in the Standard Resolution Provisions and to prescribe the terms and conditions thereof and any additional terms and conditions upon which such Bonds may be issued and Parity Reimbursement Obligations may be incurred.

(Section A-901)

Supplemental Resolutions Effective Upon Adoption

Notwithstanding any other provisions of the Standard Resolution Provisions, the Issuer may adopt, for any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution which, upon adoption thereof and filing with the Trustee shall be fully effective in accordance with its terms:

1. To close the Resolution against, or provide limitations and restrictions contained in the Resolution on, the authentication or execution and delivery on original issuance of Bonds or the issuance of other evidences of indebtedness;
2. To add to the covenants and agreements of the Issuer contained in the Resolution other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;
3. To add to the limitations or restrictions in the Resolution other limitations or restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;
4. To surrender any right, power or privilege reserved to or conferred upon the Issuer by 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 Issuer contained in the Resolution;
5. To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by, the Resolution, or any Supplemental Resolution of the Pledged Property, including the Revenues or the Funds, and other moneys and securities;
6. To modify any of the provisions of the Resolution in any respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered on original issuance after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;
7. To add to the Resolution any provisions required by law to preserve the exclusion from gross income for federal income tax purposes of interest received on Tax-Exempt Bonds then Outstanding or to be issued or the exemption of interest received on any Bonds from State income taxation;
8. To modify, amend or supplement the Resolution in any manner in order to provide for a Credit Facility, Qualified Swap or other similar arrangement with respect to any Series of Bonds, under the Resolution, so long as the Issuer determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;
9. To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution, so long as the Issuer determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

10. To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect;

11. To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in the Standard Resolution Provisions and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

12. To authorize Subordinated Indebtedness and, in connection therewith, specify and determine (or provide procedures for an Authorized Officer of the Issuer to specify or determine) the matters and things required or permitted by Article V of the Resolution in connection therewith, and also any other matters and things relative to such Subordinated Indebtedness which are not contrary to or inconsistent with the Resolution as then in effect, or at any time to amend, rescind or limit any authorization for any such Subordinated Indebtedness theretofore authorized but not issued or entered into; and in connection with the authorization of Subordinated Indebtedness, any such Supplemental Resolution may include provisions for the availability, transferability, use or application of amounts available to pay Subordinated Indebtedness in the Subordinated Payment Fund and any other funds, accounts or subaccounts created for the benefit of such Subordinated Indebtedness;

13. To provide, with prior written notice to each Rating Agency, for additional Investment Obligations that may be designated as Government Obligations consistent with clause (f) of the definition of Government Obligations;

14. Notwithstanding the Resolution, to the extent authorized by law and to the extent the Issuer shall have received a Counsel's Opinion that it will not adversely affect the exclusion of interest from the income of Holders of Bonds for federal income tax purposes for any Tax-Exempt Bonds, to provide for the delivery of Bonds that are not in registered form;

15. To modify the pledge effected by Section 501 of the Resolution and such other provisions of the Resolution solely to give effect to an assumption, extinguishment and substitution consistent with the Resolution;

16. Notwithstanding the terms and provisions of the Standard Resolution Provisions, to the extent authorized by law and to the extent that it will not adversely affect the exclusion of interest from the income of Holders of Bonds for federal income tax purposes for any Tax-Exempt Bonds, to provide for the delivery of a Series of Bonds or a portion of a Series of Bonds incorporating detachable call options;

17. To modify, with prior written notice to each Rating Agency, the definition of Qualified Swap Provider; or

18. To make any other modification or amendment of the Resolution which the Issuer shall in its sole discretion determine will not have a material adverse effect on the interests of the Holders of Outstanding Bonds or Parity Reimbursement Obligations.

In making any determination under the preceding paragraph, the Issuer may consult with and rely upon an Opinion of Counsel or opinions of other experts or professionals.

(Section A-902)

Supplemental Resolutions Effective with Consent of Trustee

Notwithstanding any other provision of the Standard Resolution Provisions, the Issuer may adopt a Supplemental Resolution amending any provision of the Resolution, effective upon filing with the Issuer of a written determination of the Trustee and a Counsel's Opinion that such amendment will not materially adversely affect the rights of any Holder of Bonds.

(Section A-903)

Supplemental Resolutions Effective with Consent of Bondholders

Except as permitted in the Standard Resolution Provisions, at any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders, and in accordance with the Standard Resolution Provisions, which Supplemental Resolution, upon adoption and upon compliance with the Standard Resolution Provisions shall become fully effective in accordance with its terms as provided in the Standard Resolution Provisions.

(Section A-904)

General Provisions

Nothing contained in the Standard Resolution Provisions shall affect or limit the right or obligation of the Issuer to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the Standard Resolution Provisions or the right or obligation of the Issuer to execute and deliver to the Trustee any instrument which elsewhere in the Resolution it is provided shall be so delivered.

Any Supplemental Resolution referred to and permitted or authorized by the Standard Resolution Provisions may be adopted by the Issuer without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in the Standard Resolution Provisions. Every Supplemental Resolution adopted by the Issuer shall be (i) subject to the written approval of the Director of Budget, and (ii) the subject of a Counsel's Opinion stating that such 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 Issuer and enforceable in accordance with its terms. The Trustee shall be entitled to rely upon such opinion, which shall be conclusive evidence that such Supplemental Resolution is authorized or permitted by the Resolution.

The Trustee is authorized to accept delivery of a certified copy of any Supplemental Resolution permitted or authorized pursuant to the Resolution and to make all further agreements and stipulations which may be contained in the Resolution, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

No 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 A-905)

Mailing and Publication

Any provision in the Resolution or the Standard Resolution Provisions relating to the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid to each Bondholder of any affected Bonds then Outstanding at such Bondholder's address, if any, appearing upon the

registry books of the Issuer and to the Trustee; or, in each case, to such parties by facsimile or other means to the extent permitted by applicable law and arrangements.

Any provision in the Standard Resolution Provisions for publication of a notice or other matter shall require the publication thereof only in an Authorized Newspaper.

(Section A-1001)

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Issuer and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Standard Resolution Provisions, (a) by the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (b) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, by the Holders of at least a majority in principal amount of the Bonds so affected and 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 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. 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 Holders of such Bonds, 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, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. 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 materially adversely affects or diminishes the right, security and interest of the Holders of Bonds of such Series. The Issuer may in its discretion determine whether or not in accordance with the foregoing, 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 all Holders of Bonds. The Issuer shall, prior to making any such determination, receive a Counsel's Opinion as conclusive evidence as to whether the Bonds of a Series or maturity would be so affected by any such modification or amendment thereof. Notwithstanding anything in this section or the Resolution to the contrary, the consent of Holders of any Series of Additional Bonds to be issued under the Resolution shall be deemed given if the underwriters or initial purchasers for resale thereof consent in writing to any modification or amendment effected thereby, and such modification or amendment, as well as such consent, is disclosed in the official statement or other offering document pursuant to which such Series of additional Bonds is offered and sold.

(Section A-1002)

Consent of Bondholders

The Issuer may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the Standard Resolution Provisions, 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, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in this section). Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Issuer (i) the written consent of Holders of the percentages of Outstanding Bonds specified in the Standard Resolution Provisions, and (ii) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by the Issuer in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the

Issuer and enforceable in accordance with its terms. 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 Standard Resolution Provisions. A certificate or certificates by an Authorized Officer of the Issuer filed with the Issuer that he or she has examined such proof and that such proof is sufficient in accordance with the Standard Resolution Provisions shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such Authorized Officer of the Issuer. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the Standard Resolution Provisions 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 such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when the written statement of the Issuer provided for in this section is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive 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 Issuer on a stated date, a copy of which is on file with the Issuer) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this section, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this section) and, in the sole discretion of the Issuer, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Issuer provided for in the Resolution is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming binding as provided in this section). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by this section to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Issuer, the Trustee, or the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing 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 forty (40) day period; provided, however, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as it may deem expedient.

For the purpose of the Standard Resolution Provisions, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase, may consent to a modification or amendment permitted by the Standard Resolution Provisions in the manner provided therein, 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 of the Bonds of such Series by the Issuer or with the remarketing of the Bonds.

(Section A-1003)

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Issuer and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the Issuer of a Supplemental Resolution and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Standard Resolution Provisions except that no notice to Bondholders either by mailing or publication shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of the Trustee without the filing with the Issuer of the written assent thereto of the Trustee in addition to the consent of the Bondholders.

(Section A-1004)

Exclusion of Bonds

Bonds owned or held by or for the account of the Issuer shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Standard Resolution Provisions, and the Issuer shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Resolution. At the time of any consent or other action taken under the Standard Resolution Provisions, the Issuer shall file with its records relating to the Bonds a certificate of an Authorized Officer of the Issuer describing all Bonds so to be excluded.

(Section A-1005)

Notation on Bonds

Bonds delivered after the effective date of any action taken as provided in the Standard Resolution Provisions may, and, if the Issuer so determines, shall, bear a notation by endorsement or otherwise in form approved by the Issuer and Trustee as to such action, and in that event upon demand of the Holder of any Bond Outstanding at such effective date and presentation to the Issuer of his or her Bond for such purpose, suitable notation shall be made on such Bond by the Issuer as to any such action. If the Issuer and Trustee shall so determine, new Bonds so modified as, in the opinion of the Issuer and Trustee conform to such action shall be prepared and delivered, and upon demand of the Holder of any Bond then Outstanding, shall be exchanged, without cost to such Bondholder, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds.

(Section A-1006)

Events of Default

The occurrence of one or more of the following events shall constitute an "Event of Default":

(a) payment of principal, Sinking Fund Installments, interest or premium on any Bond shall not be made when the same shall have become due, whether at maturity or upon call for redemption or otherwise, which default shall continue for a period of ten (10) Business Days; or

(b) in connection with financings for any Authorized Purpose authorized by Section 68-b, the Director of the Budget shall fail or refuse to comply with the provisions of subdivision 5(b) of Section 92-z and such failure or refusal shall continue for a period of thirty (30) days; or

(c) the Comptroller shall fail to pay to any Authorized Issuer from an appropriation, as and when provided by subdivision 3 of Section 68-c in accordance with a Financing Agreement, any amount as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-z, which default shall continue for a period of ten (10) Business Days; or

(d) the Governor shall fail or refuse to include in the appropriation bills required to be submitted by the Governor pursuant to Section 24 of the State Finance Law appropriations sufficient to pay any and all amounts as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-z, in connection with financings for any Authorized Purpose authorized by Section 68-b, and such failure or refusal shall continue for thirty (30) days from and after the date on which such bills are required to be submitted; or

(e) the State shall have enacted a moratorium or other similar law affecting payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 68-b; or

(f) the State or any officer of the State shall fail or refuse to comply with any of the provisions of Section 68-c or Section 92-z, either case relating to security for or payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 68-b; or

(g) failure by the Issuer to observe any of the covenants, agreements or conditions on its part contained in the Resolution or in the Bonds, and failure to remedy the same for a period of thirty (30) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Issuer by the Trustee or to the Issuer and the Trustee by the Holders of not less than a majority in aggregate principal amount of Bonds at the time Outstanding; provided that, if such default cannot be corrected within such thirty (30)-day period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer within such period and is diligently pursued until the default is corrected.

Except as provided above or, to the extent permitted by the Standard Resolution Provisions, in a Supplemental Resolution, no default under the Acts or any resolution, agreement, or other instrument shall constitute or give rise to an Event of Default under the Resolution.

It is expressly understood that nothing in section or elsewhere in the Resolution may be construed to restrict the right of the State under subdivision 5 of Section 68-c to amend, repeal, modify or otherwise alter statutes imposing or relating to any taxes or the sources of any other funds, including the taxes or the sources of any other funds to be deposited into the Revenue Bond Tax Fund without giving rise to an Event of Default under the Resolution.

(Section A-1101)

Remedies

Upon the occurrence and continuance of any Event of Default specified in the Standard Resolution Provisions, the Trustee shall, and upon the occurrence and continuance of any other Event of Default specified in the Standard Resolution Provisions, the Trustee may, and upon written request of the Holders of not less than a majority in aggregate principal amount of such Bonds then Outstanding, shall:

(a) by mandamus or other suit, action or proceeding at law or in equity enforce all rights of the Holders of Bonds under the Resolution;

(b) bring suit upon such Bonds;

(c) by action or suit in equity, require the Issuer to account as if it were the trustee of an express trust for the Holders of such Bonds; or

(d) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of such Bonds.

The Trustee shall in addition to the foregoing have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incident to the general representation of the Holders of the Bonds in the enforcement and protection of their rights.

The Supreme Court of the State shall have jurisdiction of any suit, action or proceeding by the Trustee on behalf of the Holders of Bonds, and venue of any such suit, action or proceeding shall be laid in the County of Albany.

No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the Holders of the Bonds is intended to be exclusive of any other remedy but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or in equity or by statute on or after the date of adoption of the Resolution, except that the rights of Bondholders pursuant to subdivision 2(g) of Section 68-b as in effect on the date of adoption of the Resolution are abrogated. It is further expressly understood that the Resolution does not permit the Trustee or the Holders of the Bonds to declare the Bonds to be immediately due and payable.

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 enforcement of any trust under the Resolution, or any other remedy under the Resolution or under the Bonds, unless such Holder previously shall have given to the Trustee written notice of an Event of Default as provided in the Resolution and unless also the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee so to do, after the right to exercise such powers or rights 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 therein above granted, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Resolution, or to enforce any right under the Resolution or under the Bonds, except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all Holders of Outstanding Bonds, subject, however, to the Standard Resolution Provisions. Nothing in the Resolution or in the Bonds contained shall affect or impair the right of action, which is also absolute and unconditional, of any Holder of any Bond to enforce payment of the principal of and premium, if any, and interest on such Bond at the respective dates of maturity of each of the foregoing and at the places therein expressed.

All rights of action under the Resolution or under any of the Bonds which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof on the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name, as trustee, for the equal and ratable benefit of the Holders of the Bonds, subject to the provisions of the Resolution.

No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by the Standard Resolution Provisions to the Trustee and to the Holders of the Bonds, respectively, may be exercised from time to time as often as may be deemed expedient.

(Section A-1102)

Priority of Payments After Default

In the event that the funds held by the Issuer, the Trustee or by the Paying Agents shall be insufficient for the payment of principal, Sinking Fund Installments, if any, or Redemption Price of and interest then due on the Bonds and for payments then due with respect to Parity Reimbursement Obligations, such funds (other than funds held for the payment of particular Bonds which have theretofore become due at maturity or by call for redemption and funds which at the time of their deposit into any Fund or account under the Resolution have been designated to be applied solely to the payment of the principal of and premium, if any, and interest on any series of Bond Anticipation Notes) and any other moneys received or collected by the Trustee or any Paying Agents, after making provision for the payment of any expenses necessary in the opinion of the Trustee to preserve the continuity of the Revenues, or otherwise protect the interests of the Holders of the Bonds, and after making provision for the payment of the reasonable charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their duties under the Resolution, shall be applied as follows:

FIRST: To the payment to the Persons entitled thereto of all installments of interest then due with respect to Bonds or Parity Reimbursement Obligations in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference, except as to the difference in the respective rates of interest specified in such Bonds and Parity Reimbursement Obligations; and

SECOND: To the payment to the Persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds or Parity Reimbursement Obligations which shall have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

The provisions of this section are in all respects subject to the provisions of the section entitled "Extension of Payment of Bonds" in the Standard Resolution Provisions.

If and when all overdue installments of interest on all Bonds and Parity Reimbursement Obligations, together with the reasonable and proper charges and expenses of the Trustee, and all other sums payable by the Issuer under the Resolution, including the principal and Redemption Price of and accrued unpaid interest on all Bonds and Parity Reimbursement Obligations which shall then be payable, shall either be paid by or for the account of the Issuer, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Resolution or the Bonds or Parity Reimbursement Obligations shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Issuer all such Pledged Property then remaining unexpended in the hands of the Trustee (except Pledged Property deposited or pledged, or required by the terms of the Resolution to be deposited or pledged, with the Trustee), and thereupon the Issuer and the Trustee shall be restored, respectively, to their former positions and rights. No such payment to the Issuer by the Trustee or resumption of the application of Pledged Property as provided in Article V of the Resolution shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon.

(Section A-1103)

Defeasance

If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds then Outstanding, the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee and any Paying Agents, if any, shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Resolution which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption or required for payments to Fiduciaries pursuant to the Standard Resolution Provisions.

Bonds, or portions of Bonds, for the payment or redemption of which moneys shall have been set aside and shall be held by the Trustee (through deposit by the Issuer of funds for such payment or otherwise) at the maturity date or Redemption Date of such Bonds shall be deemed to have been paid within the meaning of the Standard Resolution Provisions. Any Bonds, or portions of Bonds, of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the Standard Resolution Provisions if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide to Holders in accordance with the Standard Resolution Provisions notice of redemption on said date or dates of such Bonds, (b) there shall have been irrevocably deposited by the Issuer with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited by the Issuer 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 as the case may be, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall (i) publish, as soon as practicable, 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, and (ii) mail by registered or certified mail, postage prepaid, a notice to the Holders of such Bonds, in each case that the deposit required by (b) above has been made and that said Bonds are deemed to have been paid in accordance with this section and stating such maturity date 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, on said Bonds. The Trustee shall, at the discretion of the Issuer, select the Bonds of a Series and the maturity or portion of a maturity thereof shall be paid in accordance with this section in the manner provided in the Standard Resolution Provisions. Neither Government Obligations or moneys deposited pursuant to this section nor principal or interest payments on any such Government Obligations 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, and interest on said Bonds; provided that any moneys received from such principal or interest payments on such Government Obligations so deposited, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such Redemption Date, payment date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited shall, to the extent in excess of the amounts required in the Resolution to pay principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be applied as follows: first to the Rebate Fund, the amount, if any, required to be deposited therein; and, then the balance thereof to the Issuer, and any such moneys so paid shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution. Prior to applying any such excess amounts pursuant to this paragraph or the following paragraph, the Issuer shall obtain written confirmation from an

independent certified public accountant that the amounts remaining on deposit and held in trust are sufficient to pay the obligations set forth above.

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 Government Obligations and moneys, if any, in accordance with the second sentence of the preceding paragraph, the interest to come due on such Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys, Government Obligations on deposit with the Trustee for the payment of interest on such 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 Bonds in order to satisfy the second sentence of the preceding paragraph, the Trustee shall, if requested, by the Issuer, pay the amount of such excess to the Issuer free and clear of any trust, pledge, lien, encumbrance or security interest securing the Bonds or otherwise existing under the Resolution.

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable either at their stated maturity dates or earlier Redemption Dates or for two (2) years after the date of deposit of such moneys if deposited with the Trustee, after the said date when such Bonds became due and payable, shall, at the written request of the Issuer, be repaid by the Trustee to the Issuer, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Issuer for the payment of such Bonds. Before being required to make any such payment to the Issuer, the Trustee shall, at the expense of the Issuer, (i) cause to be published at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, and (ii) cause to be mailed postage prepaid to each registered owner of Bonds then Outstanding at his or her address, if any, appearing upon the registry books of the Issuer, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication or mailing of such notice, the balance of such moneys then unclaimed will be returned to the Issuer.

(Section A-1104)

Certain Provisions Relating to Economic Defeasance

Any Bonds of any Series for which prior to the maturity or Redemption Date thereof, the Issuer shall have given to the Trustee or other fiduciary selected by the Issuer in form satisfactory to it irrevocable instructions to maintain on deposit in a Fund or account held by the Trustee or other fiduciary selected by the Issuer established for such purpose for the benefit of the Holders of such Bonds, Investment Obligations, other than Government Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee or other fiduciary selected by the Issuer at the same time, as verified in the report of a firm of certified public accountants, 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 as the case may be, shall not be counted as Outstanding under the Resolution solely for the purpose of the calculation of Calculated Debt Service required under the Standard Resolution Provisions.

(Section A-1105)

Evidence of Signatures of Bondholders and Ownership of Bonds

Any request, consent, revocation of consent or other instrument which the Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds, shall be sufficient for any purpose of the Resolution (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Issuer, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

1. The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Issuer or any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice-president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary.

2. The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books. Any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Issuer, the Trustee or any Paying Agent in accordance therewith except as otherwise provided in the Standard Resolution Provisions.

(Section A-1201)

Moneys Held for Particular Bonds

The amounts held by the Trustee or any Paying Agent for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto and for the purposes thereof such principal, Sinking Fund Installments, if any, or Redemption Price of and interest on such Bonds, due after such date thereof, consistent with the provisions of the Standard Resolution Provisions, shall no longer be deemed to be Outstanding.

(Section A-1301)

General Regulations as to Moneys and Funds

Each of the Funds and Accounts established by the Resolution shall be a trust fund for the purposes thereof.

All amounts of the Issuer held or set aside under the Resolution shall, until paid over to the Fiduciaries or otherwise invested or applied as provided in the Resolution, be deposited by the Issuer in its name, on demand or time deposit, in such Banks as shall be selected by the Issuer. Any amounts held by any Fiduciary under the Resolution shall be deposited in such Banks as the Issuer may select. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks on such deposit with the same force and effect as if it were not such Fiduciary, and without any duty to inquire into whether any withdrawals of such funds are in accordance with or might violate any of the provisions of the Resolution. Such deposits shall be continuously secured by the obligations of the United States of America or of the State, which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits, which obligations shall be segregated in trust for the account of the Issuer, or shall be

otherwise held as the Issuer and the depository may agree. Securities deposited with the Federal Reserve Bank to secure all trust accounts of a depository shall be deemed to comply with the foregoing requirement.

Unless otherwise specified in a Supplemental Resolution authorizing the issuance of Bonds, all money held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Issuer and acceptable to such Fiduciary, on time deposit, and all such deposits shall be continuously secured by the obligations of the United States of America or of the State which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits. Securities deposited with the Federal Reserve Bank to secure all trust accounts of the Fiduciary shall be deemed to comply with the foregoing requirement. Such Fiduciary shall allow and credit on such money such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

(Section A-1302)

Preservation and Inspection of Documents

All documents received by the Trustee or any Paying Agent under the provisions of the Resolution or any Supplemental Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Issuer, the Trustee or any other Paying Agent, as applicable, and any Bondholder and their agents and their representatives; provided, however, that with respect to inspection by a Holder of a Bond of any Series a written request of such Bondholder must have been made and received by the Trustee at least five (5) Business Days prior to the date of inspection. The Issuer or its representatives may make copies of any such documents.

(Section A-1303)

Parties of Interest

Nothing in the Resolution or in any Supplemental Resolution, expressed or implied, is intended or shall be construed to confer upon, or give to, any person or party, other than the Issuer, the Trustee, any Paying Agent, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities any right, remedy or claim under or by reason of the Resolution or any Supplemental Resolution or any covenant, condition or stipulation thereof; and all of the covenants, stipulations, promises and agreements in the Resolution or any Supplemental Resolution contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Trustee, the Paying Agents, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities.

(Section A-1304)

No Recourse Under Resolution or on the Bonds

All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, officer or employee of the Issuer in his or her individual capacity, and no recourse shall be had for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price or interest on the Bonds or for any claim based thereon or on the Resolution against any member, officer or employee of the Issuer or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Holder of a Bond by the acceptance of such Bonds.

(Section A-1305)

Publication of Notices

Any publication to be made under the provisions of the Resolution in successive weeks or on successive dates may be made in each instance upon any Business Day of the week and need not be made in the same Authorized Newspaper for any or all of the successive publications but may be made in different Authorized Newspapers.

(Section A-1306)

Successors and Assigns

Whenever in the Resolution the Issuer is named or referred to, it shall be deemed to include its successors and assigns and all the covenants and agreements in the Resolution contained by or on behalf of the Issuer shall bind and inure to the benefit of its successors and assigns whether so expressed or not.

(Section A-1307)

Severability of Invalid Provisions

If any one or more of the covenants, stipulations, promises, agreements or obligations provided in the Resolution on the part of the Issuer, the Trustee or any Paying Agent to be performed should be determined by a court of final jurisdiction to be contrary to law, then such covenant or covenants, stipulation or stipulations, agreement or agreements or obligation or obligations shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations contained in the Resolution and shall in no way affect the validity of the other provisions of the Resolution.

(Section A-1308)

Other Resolutions

The Issuer expressly reserves the right to adopt one or more other bond resolutions and to issue bonds, bond anticipation notes, notes and other obligations thereunder without compliance with and not subject to the Standard Resolution Provisions.

(Section A-1309)

Survival of Particular Covenants

Notwithstanding that Bonds may no longer be Outstanding, the obligations of the Issuer (i) to pay amounts to any Fiduciary pursuant to the Standard Resolution Provisions shall remain in full force and effect until all such amounts are paid and (ii) to comply with the provisions of Section 505 of the Resolution in connection with any Tax-Exempt Bonds, with respect to the rebate to the Department of the Treasury of the United States of America of any Rebate Amount relating to the Bonds of a Series shall remain in full force and effect so long as the Issuer shall be required by the Code to rebate any such Rebate Amount.

(Section A-1310)

Actions by the Issuer

Any time the Issuer is permitted or directed to act pursuant to the Standard Resolution Provisions or a Supplemental Resolution, such action may be taken by an Authorized Officer of the Issuer except that the following actions may only be taken by resolution of the members of the Issuer: authorization and issuance of Bonds; adoption of resolutions; and modifications and amendments pursuant to the Standard Resolution Provisions. Any certificates of the Issuer to be delivered under the Resolution shall be executed by an Authorized Officer of the Issuer.

(Section A-1311)

Governing Laws

The Resolution, including the Standard Resolution Provisions, shall be governed by and interpreted in accordance with internal laws of the State, without regard to conflict of law principles thereof.

(Section A-1312)

Payments due on Other Than a Business Day

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be on a day that is not a Business Day, then payment of interest or principal and premium, if any, need not be made on such date but may be made (unless otherwise provided in a Supplemental Resolution without additional interest) on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, as the case may be.

(Section A-1313)

APPENDIX C
FINANCING AGREEMENT

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APPENDIX C

CONFORMED COPY OF STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE) FINANCING AGREEMENT

STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE) FINANCING AGREEMENT (the "Financing Agreement"), dated as of July 1, 2009, by and between the Dormitory Authority of the State of New York, a corporate governmental agency of the State of New York (the "Issuer"), and the State of New York (the "State"), acting by and through the Director of the Budget of the State (the "Director of the Budget").

WHEREAS, the Issuer has, pursuant to the Dormitory Authority of the State of New York Act, constituting Title 4 of Article 8 of the Public Authorities Law, as amended, together with any other provisions of State law relating to the authorization or financing of Costs of a Project, (the "Issuer Act") and Article 5-C of the State Finance Law, as may be hereafter amended from time to time (the "Enabling Act", which together with the Issuer Act is referred to herein as the "Acts"), adopted its State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution on April 29, 2009 (including Annex A thereto), and a Supplemental Resolution (collectively, the "Resolution") for the purpose of issuing from time to time one or more series of bonds (the "Bonds"), notes or other obligations to be secured by this Financing Agreement, as may be amended or supplemented from time to time, with the State; and

WHEREAS, in order to assist the Issuer in the financing of one or more authorized purposes as provided in the Enabling Act ("Authorized Purposes") pursuant to applicable law and in consideration of the benefits to be derived therefrom by the people of the State, the Director of the Budget, acting on behalf of the State, is authorized to enter into one or more Financing Agreements with the Issuer whereunder the State agrees, subject to the making of annual appropriations therefor by the State Legislature, to make annual payments to the Issuer, and authorize the Issuer to pledge and assign the State payments to be made as security for Bonds or other obligations which the Issuer may issue or incur in order to finance Authorized Purposes; and

WHEREAS, the State and the Issuer agree that their mutual public purposes and their best interests will be promoted by the execution of this Financing Agreement, as the same may be modified, supplemented or amended from time to time; and

WHEREAS, the Issuer Board authorized its Authorized Officer to enter into, execute and amend this Financing Agreement;

NOW, THEREFORE, the parties mutually agree as follows:

I. ISSUANCE OF BONDS BY THE ISSUER

1.1 The State agrees that the Issuer may, subject to the provisions of this Financing Agreement and the Acts, issue one or more Series of its State Personal Income Tax Revenue Bonds (General Purpose), secured by this Financing Agreement and the payments to be made by the State as herein provided. The Bonds shall be issued in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to fund Authorized Purposes having a cost not in excess of the amount specified by applicable law. The State recognizes that in order to realize net proceeds in the aforesaid amounts from the sale of Bonds, the Issuer may also issue Bonds in amounts

sufficient to pay Costs of Issuance, and the amount of capitalized interest, if any, included in the issuance and sale of the Bonds.

1.2 The Bonds issued by the Issuer pursuant to the provisions of Section 1.1 hereof shall be subject to the following conditions and limitations:

(a) The Resolution shall have been approved by the Issuer Board in accordance with the Acts.

(b) Unless the Issuer and the State shall otherwise agree (and any such agreement may include, among other things, the agreement of the State to pay or to reimburse the Issuer in the manner set forth in the Resolution for any additional fees, costs and expenses incurred in connection with the issuance and administration of Variable Interest Rate Bonds or costs and expenses relating to a Qualified Swap, including without limitation, the fees, costs and expenses of any provider of a Credit Facility, except to the extent any such fees, costs or expenses are deemed costs and expenses incurred in connection with the issuance and sale of such Variable Interest Rate Bonds for purposes of Section 1.1 of this Financing Agreement and are paid from Bond proceeds), each Bond shall bear a fixed rate of interest determined at the time of its issuance, which rate of interest shall not be subject to change or adjustment prior to the scheduled maturity of such Bond.

(c) Unless the Issuer and the State shall otherwise agree, the aggregate amount of principal, principal installments and interest payable in each State Fiscal Year during which principal payments or installments are made or provided for shall, with respect to each Series of Bonds (other than Variable Interest Rate Bonds), or the aggregate of all Bonds (not including Variable Interest Rate Bonds), as the Issuer shall elect, be as nearly equal as practicable.

1.3 The Issuer agrees that prior to its issuance of any Bonds it will inform the Director of the Budget of the approximate date on which it anticipates entering into a bond purchase agreement or other binding commitment with the prospective underwriters or purchasers of such Bonds and of the estimated interest rate or rates thereof. If the Director of the Budget shall request the Issuer to postpone the sale of such Bonds, or if the Issuer shall for any reason determine to defer the issuance and sale of any Bonds, the Issuer may, in accordance with the provisions of the Resolution, issue and sell State Personal Income Tax Revenue (General Purpose) Bond Anticipation Notes (“BANs”) in such principal amount so that the Issuer may realize from the sale thereof an amount not exceeding the aggregate of (i) an amount equal to the net proceeds available for Costs of a Project which the Issuer would have realized from the sale of the Bonds in anticipation of which the BANs are issued (or, in the case of renewal BANs, an amount necessary to pay the outstanding BANs in full), (ii) an amount sufficient to pay interest on the BANs until their scheduled maturity and (iii) an amount equal to Issuer Expenses incurred and to be incurred in connection with the issuance and sale of the BANs. Unless the State shall pay to the Issuer an amount sufficient to pay the BANs at their maturity or upon an earlier redemption date in accordance with their terms, the State shall, in accordance with Section 5.1 hereof, timely furnish such information to the Issuer as shall be deemed necessary by the Issuer in order to enable it to disseminate an official statement and issue the Bonds in anticipation of which the BANs had been issued on or prior to the scheduled maturity or redemption date of the BANs. Notwithstanding the provisions of Section 1.1 hereof, in the event the Issuer shall issue BANs as herein provided, the Issuer (i) may issue Bonds in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to pay or redeem such BANs in accordance with their terms, and (ii) may use and pledge the proceeds from the sale of the Bonds in anticipation of which the BANs had been issued for and to the payment of such BANs and related Issuer Expenses in accordance with the Resolution.

1.4 The Issuer and the State agree that this Financing Agreement is executed in part in order to induce persons to purchase the Bonds to be issued to finance Authorized Purposes and for the purposes of securing such Bonds and, accordingly, all of the covenants and agreements on the part of the Issuer and the State set forth in this Financing Agreement are hereby declared to be for the benefit of the Holders from time to time of the Bonds. Accordingly:

(a) The Issuer may pledge, assign, or transfer the right to receive and collect Financing Agreement Payments from moneys on deposit and paid from the Revenue Bond Tax Fund and other sources authorized under Section 68-b, together with the Issuer's rights to enforce this Financing Agreement, and from and after such pledge, assignment, or transfer, such assignee shall have the Issuer's rights and privileges hereunder to the extent, and as conferred, in such pledge, assignment, and transfer and as further provided in the Resolution.

(b) In connection with the State's exercise of its right under Section 68-c and under the Resolution, upon the amendment of the State Constitution allowing the issuance or assumption of bonds, notes or other obligations secured by revenues, which may include the Revenues securing the Bonds, (i) to assume, in whole or part, the Bonds, (ii) to extinguish the existing lien of such Resolution, and (iii) to substitute security for the Bonds, in each case only so long as such assumption, extinguishment or substitution is completed in accordance with such Resolution, the Issuer may make such pledge, assignment and transfer set forth in paragraph (a) above to such successor entity, as provided by law. Upon completion of such assumption, extinguishment or substitution, the Issuer shall no longer be obligated under this Financing Agreement or under the Resolution.

1.5 Each Series of Bonds or other obligations issued pursuant to the Acts and the Resolution shall be enumerated in a schedule appended to this Agreement. It shall be sufficient, with the approval of the parties hereto, in connection with the issuance by the Issuer of Bonds or other obligations to cause a supplemental schedule to be certified by the Director of the Budget with the same force and effect as if incorporated herein. The foregoing provisions shall be applicable, subject to the Resolution, to the issuance of Subordinated Indebtedness or other obligations under the Resolution and the Acts.

II. DUTIES OF AND PAYMENTS BY THE STATE

2.1 No later than thirty (30) days after the submission of the executive budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate setting forth the amount of monthly receipts anticipated to be deposited in the Revenue Bond Tax Fund during the fiscal year beginning April first of that year together with the monthly amounts necessary to be set aside from the receipts of such Fund, as shall be sufficient to meet the total cash requirements of the Issuer during such fiscal year, based on information that shall be provided by the Issuer and in the manner required by Section A-607 of the Resolution.

The Director of the Budget may revise such certification at such times as necessary, provided, however, that the Director of the Budget shall (i) promptly revise such certification if additional amounts are necessary to meet the cash requirements of the Issuer and (ii) as necessary, revise such certification not later than thirty (30) days after the issuance of any Bonds, including Refunding Bonds, and after the adoption of any Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap, Subordinated Indebtedness or other financial arrangement affecting the cash requirements of the Issuer and as authorized by the Resolution.

2.2 (a) Subject to the provisions of Section 2.7 hereof, the State agrees to pay to the Trustee, on behalf of the Issuer, no later than five Business Days prior to the time payment is required to be made to Holders of the Bonds or holders of Parity Reimbursement Obligations or other obligations in

any year for which the Issuer shall have Bonds Outstanding or Parity Reimbursement Obligations or other obligations outstanding, a sum of money constituting Financing Agreement Payments equal to the amount necessary to provide for the payment of the principal of (including Mandatory Sinking Fund payments) and interest on the Bonds or amounts due on any Parity Reimbursement Obligations or other obligations coming due on the next succeeding Bond payment date, as certified in writing by an Authorized Officer of the Issuer to the Director of the Budget. Such Financing Agreement Payments shall include Issuer Expenses, as certified by such Authorized Officer, with the concurrence of the Director of the Budget, and amounts due on any Subordinated Indebtedness or other obligations incurred under the Resolution, to the Director of the Budget.

(b) In the event any Bonds, Parity Reimbursement Obligations or other obligations shall bear interest at other than a fixed interest rate, the State shall pay interest as follows: (i) the amount accrued at the actual rate or rates borne, to the extent such rate or rates are known in advance of the Bond payment date, plus; (ii) if necessary, an amount accrued at the Estimated Average Interest Rate through the next scheduled Bond payment date, less; (iii) any amount paid pursuant to (ii) relating to the preceding Bond payment date in excess of the amount paid to Bondholders and holders of Parity Reimbursement Obligations or other obligations through such preceding Bond payment date.

2.3 (a) The State may, at any time in its sole discretion, choose to prepay all or any part of the payments payable under Section 2.2 hereof. Any amounts so prepaid shall be credited to the payments to be made by the State under Section 2.2 hereof.

(b) The State may, at any time in its sole discretion, make payments to the Issuer for the purpose of (i) directly funding Authorized Purposes which will not be funded with the proceeds of Bonds; (ii) paying BANs at their maturity or earlier redemption date, as provided in Section 1.3 hereof; (iii) redeeming Bonds pursuant to the exercise by the Issuer of any option it may have under the Resolution; and (iv) defeasing Bonds or BANs prior to their maturity or redemption date as permitted by and in accordance with the procedures for defeasance set forth in the Resolution or otherwise. Any payments made by the State to the Issuer for the purposes set forth in this subsection shall, subject to the provisions of the Resolution, be applied by the Issuer to such purpose, and, if so directed herein or in the Resolution, shall be deposited in a Fund or account established under the Resolution or set aside with the Trustee, if any, or the Paying Agent as provided herein or in the Resolution.

2.4 The State further agrees upon request of the Issuer to pay all amounts constituting Financing Agreement Payments (i) which may become due to any provider of a Credit Facility in connection with a Credit Facility which may have been obtained if and to the extent such obligation arises as a result of the State's failure to make any payment pursuant to Section 2.1 hereof and (ii) which may become due pursuant to any agreement relating to a Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap or the issuance of Variable Interest Rate Bonds as contemplated by Section 1.2(b) of this Financing Agreement.

2.5 The State agrees to pay to the Issuer such amounts (constituting Financing Agreement Payments) as may be necessary in order for the Issuer to maintain the exclusion from gross income of interest on Bonds issued as Tax-Exempt Bonds under the Code, including without limitation, amounts required to be paid by the Issuer to the United States as rebate of investment earnings and amounts required to be deposited by the Issuer in a yield restricted sinking fund, at such times as the Issuer deems necessary to maintain such exclusion.

2.6 The State agrees that, subject to the provisions of Section 2.7 hereof, its obligation to make the payments provided for in this Financing Agreement shall be absolute and unconditional, without

any rights of set-off, recoupment or counterclaim the State may have against the Issuer or any other person or entity having an interest in this Financing Agreement or the payments made hereunder.

2.7 Notwithstanding anything in this Financing Agreement to the contrary (i) the obligation of the State acting by and through the Director of the Budget to make any Financing Agreement Payments required to be paid under this Financing Agreement is subject to annual appropriation by the State Legislature; and (ii) the obligation of the State acting by and through the Director of the Budget to pay any Financing Agreement Payments hereunder shall not constitute a debt of the State within the meaning of any constitutional or statutory provisions and shall be deemed executory only to the extent of monies available and no liability shall be incurred by the State beyond the moneys available for that purpose. Furthermore, this Financing Agreement does not constitute a debt of the State or a contractual obligation in excess of the amounts appropriated therefore and the State has no continuing legal or moral obligation to appropriate moneys for any Financing Agreement Payment due hereunder.

2.8 The term of this Financing Agreement shall continue until all Bonds or other obligations incurred under the Resolution, have been paid at maturity or the debt service on such Bonds or other obligations has been provided for and the Bonds are no longer Outstanding under the Resolution and the State has fulfilled all its obligations under this Agreement.

III. DUTIES OF THE ISSUER

3.1 The Issuer agrees to issue the Bonds for the purpose of carrying out the provisions of the Resolution and the Acts.

3.2 The Issuer agrees to apply the proceeds derived from the sale of the Bonds and from Financing Agreement Payments in accordance with the applicable provisions of the Resolution and the Acts.

3.3 Upon the issuance of the Bonds, the provisions of the Resolution relating to all Funds and accounts and the application and investment thereof shall apply.

3.4 No later than ten (10) Business Days after the issuance of Bonds or any other obligation under the Resolution, the Issuer shall furnish to the Director of the Budget a schedule of the Financing Agreement Payments, including debt service to be made on each date with respect to such Bonds or other obligations and related Issuer Expenses. Interest on Bonds or other obligations bearing interest at other than a fixed rate shall be calculated using the Estimated Average Interest Rate.

3.5 Upon payment to the Issuer of the amount required therefore and the State's direction to the Issuer to do so, the Issuer shall exercise any option it may have under the Resolution to redeem all or any portion of the Bonds, and the Issuer shall deposit into the Debt Service Fund all payments received from the State and designated for such purpose.

3.6 In addition to the duties of the Issuer with respect to the constitutional and statutory audit powers granted the State or any officer thereof, the Issuer agrees to keep or cause to be kept accounts and records which clearly identify the purposes for which moneys received by the Issuer (including Bond proceeds) pursuant to this Financing Agreement have been expended. The Issuer agrees to submit annual financial reports to the State within ninety (90) days after the end of each Issuer fiscal year during which this Financing Agreement is in force. The Issuer agrees to make available for inspection by the State its accounts and records as may be determined necessary or desirable by the State.

3.7 During each year the Issuer shall have Outstanding Bonds or other obligations outstanding under the Resolution, the Issuer shall, no later than October first, certify in writing to the Director of the Budget the schedule of anticipated cash requirements due from the State pursuant to Sections 2.1, 2.2, 2.4 and 2.5 of this Financing Agreement for the next State Fiscal Year, and for the four State Fiscal Years following such Fiscal Year, in such detail as the Director of the Budget may require. Any such schedule of anticipated cash requirements shall set forth any amounts held in Funds or accounts under the Resolution and available for a credit against such Financing Agreement Payment requirements as provided in this Financing Agreement. In calculating the amount of anticipated cash requirements with respect to Qualified Swaps, the Issuer shall include an amount not less than eighteen percent (18%) of the aggregate notional amount of all Qualified Swaps then in effect (or such other percentage as may be agreed by the Issuer and the State from time to time).

3.8 Any moneys received by the Issuer from a Qualified Swap Provider shall be deposited in the Debt Service Fund.

3.9 In order to allow the Director of the Budget to comply with his or her obligations under the Enabling Act or the Resolution, the Issuer, upon the request of the Director of the Budget, shall provide to the Director current cash requirements relating to Finance Agreement Payments due to the Issuer.

3.10 The Issuer agrees, upon request of the State, to use its best efforts to issue Bonds to refund or otherwise repay, in accordance with the terms of the Resolution, all or any portion of Outstanding Bonds or Prior Obligations. Such Refunding Bonds shall be deemed Bonds for all purposes of this Financing Agreement, except that, notwithstanding the provisions of Section 3.1 hereof, the net proceeds derived from the sale of such Refunding Bonds shall be used by the Issuer to pay or provide for the payment of the Bonds or Prior Obligations to be refunded or repaid and Issuer Expenses.

3.11 When all Bonds issued under the Resolution and all other obligations incurred under the Resolution have been paid or deemed paid within the meaning of the Resolution, the Issuer shall promptly remit or cause to be remitted to the State any moneys remaining in any of the Funds and accounts not required for the payment or redemption of Bonds or other obligations not theretofore surrendered for such payment or redemption (all after transfer of any necessary moneys to the Rebate Fund). Any moneys or investments paid by the State to the Issuer or the Trustee or other fiduciary for the purposes of economically defeasing Bonds, shall be held for such purpose for the benefit of the Holders of such Bonds in accordance with the instructions of the Director of the Budget, consistent with the terms of the Resolution.

IV. PLEDGE AND ASSIGNMENT

4.1 The State hereby consents to the pledge and assignment by the Issuer to the Holders of any of its Bonds, or to any trustee acting on their behalf, of all or any part of the benefits or rights of the Issuer herein, and to the holders or trustees of other obligations issued under the Resolution, of the payments by the State as provided herein and of the Funds and accounts established under the Resolution (except for the Rebate Fund and other Funds as provided in the Resolution).

V. SPECIAL COVENANTS

5.1 The State agrees that whenever requested by the Issuer, with reasonable advance notification, it shall provide and certify information concerning the State and various other related entities (i) for publication in an official statement, placement memorandum or other similar disclosure document relating to the sale or issuance of the Bonds or other obligations under the Resolution, and (ii) necessary

to allow the Issuer to make undertakings or contractual commitments which would permit underwriters or dealers to comply with federal securities law including, without limitation, the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. Such information shall be in the standard format utilized for State issuances. The State also agrees to make available any information necessary to enable the Issuer to make any reports required by law or government regulations in connection with the Bonds or other obligations under the Resolution.

5.2 Neither the Issuer nor the State will terminate this Financing Agreement for any cause including, without limiting the generality of the foregoing, an Event of Default by either party, any acts or circumstances which may constitute failure of consideration or frustration of purpose or the failure of either party to perform and observe any duty, liability or obligation arising out of or connected with this Financing Agreement.

5.3 Subject to the limitations contained in the Resolution, the State and the Issuer reserve the right to amend, modify or rescind this Financing Agreement or any supplemental agreement entered into pursuant to this Section 5.3 in any manner; provided that no such amendment, modification or rescission shall materially adversely affect the interest of the Holders of Bonds or holders of Parity Reimbursement Obligations or other obligations. Specifically, and without limiting the generality of the foregoing, this Financing Agreement may be amended or modified (i) to provide for additional payments to the Issuer, (ii) to provide for modified payment provisions, including timing thereof, consistent with the provisions of the Resolution in connection with the issuance of Bonds, Parity Reimbursement Obligations or other obligations (iii) to cure any ambiguity or (iv) to correct or supplement any provisions contained in this Financing Agreement which may be defective or inconsistent with any other provisions contained herein. For the purposes of this Section, Bonds, Parity Reimbursement Obligations or other obligations shall be deemed to be materially adversely affected by an amendment, modification or rescission of this Financing Agreement, if the same materially adversely affects or diminishes the rights of the Holders of the Bonds, holders of Parity Reimbursement Obligations or other obligations or any provider of a Credit Facility. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provision, Bonds, Parity Reimbursement Obligations or other obligations would be materially adversely affected by any amendment, modification or rescission, and such determination shall be binding and conclusive on the State, Bondholders, holders of Parity Reimbursement Obligations or other obligations, the Trustee and the provider of a Credit Facility.

5.4 The State acknowledges and agrees that, in the event of any conflict between any of the provisions of this Financing Agreement and any of the provisions of the Resolution, the provisions of the Resolution shall be controlling; provided, however, that neither the Resolution nor any supplement or amendment thereto shall purport to limit or supersede the provisions set forth in Section 2.7 hereof.

5.5 The State, acknowledges and agrees that moneys in the Funds and accounts established under the Resolution may be invested in Investment Obligations authorized by the Resolution and that the Issuer may restrict such investments, or the yield to be realized therefrom, as it may deem necessary or appropriate in order to maintain the exclusion from gross income of interest on the Bonds issued as Tax-Exempt Bonds under the Code. Investment earnings shall be applied as permitted by the Resolution.

5.6 The State, to the extent authorized by law, shall indemnify and save harmless the Issuer from and against any and all liability, loss, damage, interest, judgments and liens growing out of, and any and all costs and expenses (including, but not limited to, counsel fees and disbursements) arising out of or incurred in connection with any and all claims, demands, suits, actions or proceedings which may be made or brought against the Issuer arising out of any determinations made or actions taken or omitted to be taken or compliance with any obligations under or pursuant to the Enabling Act, including the

issuance, incurrence and delivery of Bonds, BANs, Parity Reimbursement Obligations, Subordinated Indebtedness or other obligations under the Resolution.

5.7 The State agrees to request appropriations during the term of this Financing Agreement in an amount at least equal to the amounts certified to by the Issuer pursuant to Section 3.7 of this Financing Agreement. The State also agrees to request appropriations during the term of all financing agreements entered into with all Authorized Issuers pursuant to the Enabling Act in amounts at least equal to the amounts certified by each Authorized Issuer pursuant to such financing agreements and to meet its other obligations under such financing agreements.

VI. EVENTS OF DEFAULT BY THE STATE AND REMEDIES

6.1 If for any reason, other than a failure by the State Legislature to appropriate moneys for such purpose, the State shall fail to pay when due any Financing Agreement Payments, or shall fail to observe or perform any other covenant, condition or agreement on its part to be observed or performed, the Issuer shall, if such default has not been cured, have the right to institute any action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to collect the payments then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the State hereunder.

6.2 The remedies conferred upon or reserved to the Issuer under Section 6.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of this Financing Agreement, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

6.3 The State shall promptly notify the Issuer in writing that an Event of Default has occurred under the Resolution, including any events of default under resolutions or financing agreements of any Authorized Issuer related to obligations authorized by the Enabling Act. The State also agrees that upon the occurrence of an Event of Default, or event of default described in the preceding sentence, funds available through appropriation from the Revenue Bond Tax Fund will be available on an equitable basis among Authorized Issuers under the Enabling Act.

VII. EVENTS OF DEFAULT BY THE ISSUER AND REMEDIES

7.1 If the Issuer shall fail to observe or perform any covenant, condition or agreement contained in this Financing Agreement or the Resolution on its part to be observed or performed and such failure to observe or perform shall have continued for sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the Issuer by the State, the State shall, if the default has not been cured, have the right to institute an action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the Issuer hereunder.

7.2 The remedies conferred upon or reserved to the State under Section 7.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of the Financing Agreement or of the obligations of the State to make the payments provided for in Article II hereof, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

VIII. MISCELLANEOUS

8.1 The revenues, facilities, properties and any and all other assets of the Issuer of any name and nature, other than the Pledged Property, may not be used for, or as a result of any court proceedings or otherwise applied to, the payment of Bonds, any redemption premium therefore or the interest thereon or any other obligations under the Resolution, and under no circumstances shall these be available for such purposes.

8.2 The waiver by either party of a breach by the other shall not be deemed to waive any other breach hereunder nor shall any delay or omission to exercise any right or power upon any default impair any such right or power or be construed as a waiver thereof.

8.3 In the event any provision of this Financing Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

8.4 All notices provided for in this Financing Agreement shall be in writing and shall be delivered personally to or sent by certified or registered mail to the respective offices of the State and the Issuer as follows:

If to the State: Director of the Budget
 State of New York
 Executive Department
 Division of the Budget
 State Capitol, Room 113
 Albany, New York 12224

If to the Issuer: General Counsel
 Dormitory Authority of the State of New York
 515 Broadway
 Albany, New York 12207

The Issuer or the State may from time to time designate in writing other representatives with respect to receipt of notices.

8.5 This Financing Agreement, including any schedules referred to in Section 1.5, represents the entire agreement between the parties. It may not be amended or modified otherwise than by a written instrument executed by both parties. Such amendments shall not be contrary to the provisions of Section 5.2 or 5.3 hereof.

8.6 Nothing in this Financing Agreement shall be construed to confer upon or to give to any person or corporation other than the State, the Issuer, a Holder of any Bonds, a holder of other obligations under the Resolution, or any trustee acting under the Resolution, any right, remedy or claim under or by reason of this Financing Agreement or any provision thereof.

8.7 This Financing Agreement shall be construed and interpreted in accordance with the laws of the State of New York and any suits or actions arising out of this Financing Agreement shall be instituted in a court of competent jurisdiction in the State.

8.8 This Financing Agreement may be executed in several counterparts, each of which shall be deemed to be an original but such counterparts together shall constitute one and the same instrument.

8.9 Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Resolution.

IN WITNESS WHEREOF, the State has caused this Financing Agreement to be executed in its name by the Director of the Budget and the Issuer has caused this instrument to be signed by its Authorized Officer all as of the date and year first above written.

State of New York

Director of the Budget

Dormitory Authority of the State of New York

Authorized Officer

Approval as to form:
Attorney General

By: _____

Date: _____

Approved:

By: _____
State Comptroller

Date: _____

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APPENDIX D

PROPOSED FORMS OF CO-BOND COUNSEL OPINIONS

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APPENDIX D

PROPOSED FORMS OF CO-BOND COUNSEL OPINIONS

FORM OF APPROVING OPINION OF HAWKINS DELAFIELD & WOOD LLP, CO-BOND COUNSEL TO THE AUTHORITY FOR THE SERIES 2012 BONDS

Upon delivery of the Series 2012 Bonds, Hawkins Delafield & Wood LLP, Co-Bond Counsel to the Authority, proposes to issue its legal opinion in substantially the following form:

HAWKINS DELAFIELD & WOOD LLP
ONE CHASE MANHATTAN PLAZA
NEW YORK, NEW YORK 10005

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 \$762,340,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2012D (Tax-Exempt) (the “Series 2012D Bonds”), \$54,715,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2012E (Tax-Exempt) (the “Series 2012E Bonds”), and \$60,605,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2012F (Federally Taxable) (the “Series 2012F Bonds” and, together with the Series 2012D Bonds and the Series 2012E Bonds, the “Series 2012 Bonds”) of the Dormitory Authority of the State of New York (the “Authority”), a body corporate and politic of the State of New York (the “State”), constituting a public benefit corporation created and existing under the Dormitory Authority Act, being Chapter 524 of the Laws of New York of 1944, as amended (the “Dormitory Authority Act”).

The Series 2012 Bonds are issued under and pursuant to the Dormitory Authority Act, the New York State Medical Care Facilities Finance Authority Act, being Chapter 392 of the Laws of New York of 1973, as amended, and the Health Care Financing Consolidation Act, being a part of Chapter 83 of the Laws of New York of 1995 (collectively, the “Act”), Part I of Chapter 383 of the Laws of New York of 2001, as amended (the “Enabling Act”), and the State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution adopted by the Authority on April 29, 2009 (the “Bond Resolution”), as supplemented by Supplemental Resolution 2012-2 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by the Authority on May 23, 2012, and Supplemental Resolution 2012-4 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by the Authority on July 25, 2012 (collectively, the “Series 2012 Supplemental Resolutions”). The Bond Resolution and the Series 2012 Supplemental Resolutions are herein collectively referred to as the “Resolutions”. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions. The Authority has reserved the right to issue additional Bonds on the terms and conditions and for the purposes stated in the Bond Resolution. Under and subject to the terms of the Bond Resolution, the Series 2012 Bonds and all Bonds heretofore and hereafter issued under the Bond Resolution rank and will rank equally as to security and payment. In addition, all State Personal Income Tax Revenue Bonds issued pursuant to the Enabling Act by Authorized Issuers for Authorized Purposes are on a parity with each other as to payments from the Revenue Bond Tax Fund established by

Section 92-z of the New York State Finance Law (the “Revenue Bond Tax Fund”), subject to annual appropriation by the New York State Legislature.

Pursuant to the Enabling Act, neither the Authority nor the owners of the Series 2012 Bonds have or will have a lien on the monies on deposit in the Revenue Bond Tax Fund. In addition, pursuant to the Enabling Act, nothing contained therein shall be deemed to restrict the right of the State of New York to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed pursuant to Article 22 of the New York Tax Law.

We are of the opinion that:

1. The Authority has been duly created and is validly existing under the Act and has the right, power and authority to adopt the Resolutions and the Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms.

2. The Resolutions create the valid pledge which they purport to create of the Pledged Property, subject to the application thereof to the purposes and on the conditions permitted by the Resolutions.

3. The Series 2012 Bonds have been duly and validly authorized and issued by the Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor in the Resolutions.

4. The Series 2012 Bonds are not a debt of the State of New York, and the State of New York is not liable thereon, nor shall the Series 2012 Bonds be payable out of funds of the Authority other than those pledged for the payment of the Series 2012 Bonds.

5. The Financing Agreement dated as of July 1, 2009, between the Authority and the Director of the Budget of the State of New York (the “Financing Agreement”), has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery thereof by the Director of the Budget of the State of New York, constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

6. Under existing statutes and court decisions, (i) interest on the Series 2012D Bonds and the Series 2012E Bonds (collectively, the “Tax-Exempt 2012 Bonds”) is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), except that no opinion is expressed as to such exclusion of interest on any Series 2012E Bond for any period during which the Series 2012E Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities financed with proceeds of the Series 2012E Bonds or a “related person,” (ii) interest on the Series 2012D Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations, and (iii) interest on the Series 2012E Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, the New York State Department of Mental Hygiene (“DMH”), Office of Mental Health (“OMH”), Office for Persons with Developmental Disabilities (“OPWDD”), Office of Alcoholism and Substance Abuse Services

("OASAS"), each voluntary agency receiving a loan from the Authority financed with proceeds of the Tax-Exempt 2012 Bonds, the New York State Department of Education ("SED"), the New York State Office of Court Administration ("OCA"), the State University of New York ("SUNY"), the State University Construction Fund ("SUCF"), the City University of New York ("CUNY"), the New York State Department of Environmental Conservation ("DEC"), the New York State Office of Parks, Recreation and Historic Preservation ("OPRHP"), the New York State Department of Agriculture and Markets ("DAM"), the New York State Department of State ("DOS") and others, and we have assumed compliance by the Authority, DMH, OMH, OPWDD, OASAS, each voluntary agency receiving a loan from the Authority financed with proceeds of the Tax-Exempt 2012 Bonds, SED, OCA, SUNY, SUCF, CUNY, DEC, OPRHP, DAM, DOS and others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Tax-Exempt 2012 Bonds from gross income under Section 103 of the Code. In rendering this opinion, we have also relied on the opinion of Hogan Lovells US LLP, counsel to SUNY, that the Downstate at LICH Holding Company, Inc. as the title owner of a SUNY project being refinanced with proceeds of the Series 2012D Bonds, is an instrumentality of SUNY for purposes of Section 103 and Section 141 through 150, inclusive, of the Code.

7. Interest on the Series 2012F Bonds is included in gross income for Federal income tax purposes pursuant to the Code.

8. Under existing statutes, interest on the Series 2012 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

We express no opinion regarding any other Federal or state tax consequences with respect to the Series 2012 Bonds. We render this opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income of interest on the Tax-Exempt 2012 Bonds for Federal income tax purposes, or the exemption from personal income taxes of interest on the Series 2012 Bonds under state and local tax law.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2012 Bonds, the Resolutions and the Financing Agreement may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed Series 2012D Bond, an executed Series 2012E Bond and an executed Series 2012F Bond and, in our opinion, the forms of said Bonds and their execution are regular and proper.

Very truly yours,

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FORM OF APPROVING OPINION OF BRYANT RABBINO LLP,
CO-BOND COUNSEL TO THE AUTHORITY FOR THE SERIES 2012 BONDS

Upon delivery of the Series 2012 Bonds, Bryant Rabbino LLP, Co-Bond Counsel to the Authority, proposes to issue its legal opinion in substantially the following form:

BRYANT RABBINO LLP
220 E. 42ND STREET, SUITE 3302
NEW YORK, NEW YORK 10017

Dormitory Authority of the
State of New York
515 Broadway
Albany, New York 12207

Ladies and Gentlemen:

We have acted as Co-Bond Counsel to the Dormitory Authority of the State of New York (the “Authority”), a body corporate and politic of the State of New York (the “State”), constituting a public benefit corporation created and existing under the Dormitory Authority Act, being Chapter 524 of the Laws of New York of 1944, as amended (the “Dormitory Authority Act”), in connection with the issuance of \$762,340,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2012D (Tax-Exempt) (the “Series 2012D Bonds”), \$54,715,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2012E (Tax-Exempt) (the “Series 2012E Bonds”), and \$60,605,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2012F (Federally Taxable) (the “Series 2012F Bonds” and, together with the Series 2012D Bonds and the Series 2012E Bonds, the “Series 2012 Bonds”) of the Authority. In such capacity, we have examined such laws and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

The Series 2012 Bonds are authorized to be issued in accordance with and pursuant to the Constitution and the laws of the State including the Dormitory Authority Act, the New York State Medical Care Facilities Finance Authority Act, being Chapter 392 of the Laws of New York of 1973, as amended, and the Health Care Financing Consolidation Act, being a part of Chapter 83 of the Laws of New York of 1995 (collectively, the “Act”), Part I of Chapter 383 of the Laws of New York of 2001, as amended (the “Enabling Act”), and the State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution adopted by the Authority on April 29, 2009 (the “Bond Resolution”), as supplemented by Supplemental Resolution 2012-2 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by the Authority on May 23, 2012, and Supplemental Resolution 2012-4 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by the Authority on July 25, 2012 (collectively, the “Series 2012 Supplemental Resolutions”). The Bond Resolution and the Series 2012 Supplemental Resolutions are herein collectively referred to as the “Resolutions”. Unless otherwise stated, capitalized terms not defined herein shall have the meanings ascribed thereto in the Resolutions.

Pursuant to the Bond Resolution, (i) the Authority has reserved the right to issue additional Bonds on the terms and conditions and for the purposes stated in the Bond Resolution, and (ii) the Series 2012 Bonds and all Bonds heretofore and hereafter issued under the Bond Resolution rank and will rank equally as to security and payment. In addition, pursuant to the Enabling Act, all State Personal Income Tax Revenue Bonds issued under the Enabling Act by Authorized Issuers (as defined in the Enabling Act) for Authorized Purposes (as defined in the Enabling Act) are on a parity with each other as

to payments from the Revenue Bond Tax Fund established by Section 92-z of the New York State Finance Law (the “Revenue Bond Tax Fund”), subject to annual appropriation by the New York State Legislature.

Pursuant to the Enabling Act, neither the Authority nor the owners of the Series 2012 Bonds have or will have a lien on the monies on deposit in the Revenue Bond Tax Fund. In addition, pursuant to the Enabling Act, nothing contained therein shall be deemed to restrict the right of the State of New York to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed pursuant to Article 22 of the New York Tax Law.

Regarding questions of material fact related to our opinion, we have relied on the representations of the Authority contained in the Resolutions, and in certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing and subject to the further qualifications herein, we are of the opinion that:

1. The Authority has been duly created and is validly existing under the Act and has the right, power and authority to adopt the Resolutions and the Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms.

2. The Resolutions create the valid pledge which they purport to create of the Pledged Property, subject to the application thereof to the purposes and on the conditions permitted by the Resolutions.

3. The Series 2012 Bonds have been duly and validly authorized and issued by the Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor in the Resolutions.

4. The Series 2012 Bonds are not a debt of the State of New York, and the State of New York is not liable thereon, nor shall the Series 2012 Bonds be payable out of funds of the Authority other than those pledged for the payment of the Series 2012 Bonds.

5. The Financing Agreement dated as of July 1, 2009, between the Authority and the Director of the Budget of the State of New York (the “Financing Agreement”), has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery thereof by the Director of the Budget of the State of New York, constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

6. Under existing statutes and court decisions, (i) interest on the Series 2012D Bonds and the Series 2012E Bonds (collectively, the “Tax-Exempt 2012 Bonds”) is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), except that no opinion is expressed as to such exclusion of interest on any Series 2012E Bond for any period during which the Series 2012E Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities financed with proceeds of the Series 2012E Bonds or a “related person,” (ii) interest on the Series 2012D Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such

corporations, and (iii) interest on the Series 2012E Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, the New York State Department of Mental Hygiene (“DMH”), Office of Mental Health (“OMH”), Office for Persons with Developmental Disabilities (“OPWDD”), Office of Alcoholism and Substance Abuse Services (“OASAS”), each voluntary agency receiving a loan from the Authority financed with proceeds of the Tax-Exempt 2012 Bonds, the New York State Department of Education (“SED”), the New York State Office of Court Administration (“OCA”), the State University of New York (“SUNY”), the State University Construction Fund (“SUCF”), the City University of New York (“CUNY”), the New York State Department of Environmental Conservation (“DEC”), the New York State Office of Parks, Recreation and Historic Preservation (“OPRHP”), the New York State Department of Agriculture and Markets (“DAM”), the New York State Department of State (“DOS”) and others, and we have assumed compliance by the Authority, DMH, OMH, OPWDD, OASAS, each voluntary agency receiving a loan from the Authority financed with proceeds of the Tax-Exempt 2012 Bonds, SED, OCA, SUNY, SUCF, CUNY, DEC, OPRHP, DAM, DOS and others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Tax-Exempt 2012 Bonds from gross income under Section 103 of the Code. In rendering this opinion, we have also relied on the opinion of Hogan Lovells US LLP, counsel to SUNY, that the Downstate at LICH Holding Company, Inc. as the title owner of a SUNY project being refinanced with proceeds of the Series 2012D Bonds, is an instrumentality of SUNY for purposes of Section 103 and Section 141 through 150, inclusive, of the Code.

7. Interest on the Series 2012F Bonds is included in gross income for Federal income tax purposes pursuant to the Code.

8. Under existing statutes, interest on the Series 2012 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

We express no opinion regarding any other Federal or state tax consequences with respect to the Series 2012 Bonds. We render this opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income of interest on the Tax-Exempt 2012 Bonds for Federal income tax purposes, or the exemption from personal income taxes of interest on the Series 2012 Bonds under state and local tax law.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2012 Bonds, the Resolutions and the Financing Agreement may be limited by bankruptcy, insolvency and other laws affecting creditors’ rights or remedies heretofore or hereafter enacted and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed Series 2012D Bond, an executed Series 2012E Bond and an executed Series 2012F Bond and, in our opinion, the forms of said Bonds and their execution are regular and proper.

Very truly yours,

APPENDIX E

EXECUTED COPY OF MASTER CONTINUING DISCLOSURE AGREEMENT

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NEW YORK STATE PERSONAL INCOME TAX REVENUE BONDS

MASTER CONTINUING DISCLOSURE AGREEMENT

THIS MASTER CONTINUING DISCLOSURE AGREEMENT dated as of May 1, 2002, as amended and restated as of July 1, 2009 and as further amended and restated as of December 1, 2010 (as so amended and restated, the “Agreement”), is made by and among each Authorized Issuer, the State, and the respective Trustees, each as defined below in Section 1.

In order to permit the Underwriters of each series of Bonds issued from and after the date hereof to comply with the provisions of Rule 15c2-12, each of the parties hereto (as applicable), in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby agree, for the sole and exclusive benefit of the Holders and, for the purposes of Section 5, the beneficial owners of Bonds, as follows:

SECTION 1. Definitions; Rules of Construction(i) Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Authorizing Document.

“*Annual Information*” shall mean the information specified in Section 3.

“*Authorizing Document*” shall mean the applicable Authorized Issuer’s State Personal Income Tax Revenue Bond General Resolution, including Annex A thereto, as supplemented and amended from time to time.

“*Authorized Issuer*” shall mean, individually, the Dormitory Authority of the State of New York, the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency, the New York State Thruway Authority, and the New York State Urban Development Corporation, each a public corporation or a public benefit corporation of the State of New York that is designated as an Authorized Issuer under the Enabling Act, and any successors thereto or any other public benefit corporation of the State of New York which may be authorized from time to time by the Enabling Act to issue Bonds.

“*Bonds*” shall mean all of the State Personal Income Tax Revenue Bonds issued from time to time by Authorized Issuers and outstanding pursuant to the applicable Authorizing Document.

“*Comptroller*” shall mean the Comptroller of the State of New York.

“*Director*” shall mean the Director of the Budget of the State of New York.

“*DOB*” shall mean the Division of the Budget of the State of New York.

“*EMMA*” shall mean the Electronic Municipal Market Access system described in Securities Exchange Act Release No. 34-59062 (or any successor electronic information system) and maintained by the MSRB as the sole repository for the central filing of electronic disclosure pursuant to Rule 15c2-12.

“*Enabling Act*” shall mean Article 5-C of the State Finance Law, Chapter 56 of the Consolidated Laws of the State of New York, as supplemented and amended from time to time.

“*GAAP*” shall mean generally accepted accounting principles as prescribed from time to time for governmental units in the United States by the Governmental Accounting Standards Board.

“*GAAS*” shall mean generally accepted auditing standards as in effect from time to time in the United States.

“*Holder*” or “*Bondholder*” shall mean a registered owner of any Bond or Bonds.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

“*Rule 15c2-12*” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Agreement, including any official interpretations thereof promulgated on or prior to the effective date of this Agreement.

“*State*” shall mean the State of New York, acting by and through the Director or the Comptroller.

“*Trustee*” shall mean the applicable trustee appointed by the applicable Authorized Issuer pursuant to an Authorizing Document, and their respective successors and assigns.

“*Underwriters*” shall mean the underwriter or underwriters that have contracted to purchase one or more series of Bonds from an Authorized Issuer at initial issuance.

(ii) Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Agreement:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) Any reference herein to a particular Section or subsection without further reference to a particular document or provision of law or regulation is a reference to a Section or subsection of this Agreement.

(c) The captions and headings herein are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

SECTION 2. Obligations to Provide Continuing Disclosure.

(i) Obligations of the State and the Trustees.

(a) The State, acting by and through the Director, hereby undertakes, for the benefit of Holders of the Bonds, to electronically file with the MSRB, no later than 120

days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2002, the Annual Information relating to such fiscal year.

(b) The State, acting by and through the Comptroller, hereby undertakes, for the benefit of the Holders of the Bonds, to electronically file with the MSRB, no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2002, audited financial statements of the State for such fiscal year; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be so provided and such audited financial statements shall be electronically filed with the MSRB if and when they become available.

(c) The Director and each Trustee shall notify the applicable Authorized Issuer upon the occurrence of any of the events listed in Section 2(ii)(a) promptly upon becoming aware of the occurrence of any such event. With respect to the foregoing, no Trustee shall be deemed to have become aware of the occurrence of any such event unless an officer in its corporate trust department becomes aware of the occurrence of any such event.

(ii) Obligations of each Authorized Issuer. Each Authorized Issuer hereby undertakes, for the benefit of Holders of the Bonds issued by it, to provide the following:

(a) to the MSRB in a timely manner not in excess of ten business days after the occurrence of any of the events listed below, notice of any of such events with respect to the Bonds issued by it:

- (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 enhancements 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 or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) modifications to rights of 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.
- (b) to the MSRB, in a timely manner, notice of a failure by the State to comply with Section 2(i)(a) or (b).

(iii)(a) Termination or Modification of Disclosure Obligation. The obligations of the State hereunder may be terminated if the State is no longer an “obligated person” as defined in Rule 15c2-12; provided, however, that if the State has hereby obligated itself to provide information relating to any entity that thereafter continues to constitute such an “obligated person”, obligations of the State to provide such information shall not be so terminated. Upon any such termination, the State shall so advise each Authorized Issuer and each such Authorized Issuer shall electronically file notice thereof with the MSRB.

(b) Other Information. Nothing herein shall be deemed to prevent the Authorized Issuers or the State from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Authorized Issuers or the State should disseminate any such additional information, neither the Authorized Issuers nor the State shall have any obligation hereunder to update such information or to include it in any future materials disseminated hereunder.

(c) Credit Enhancement. Each agreement governing the provision of a Credit Facility, if any, shall require the provider thereof to provide the applicable Authorized Issuer with prompt written notice of any change in the name, address, and telephone number of a place where then current information regarding such provider may be obtained. In addition, such agreement shall require each provider of a Credit Facility promptly to notify the applicable Authorized Issuer of a change in any rating relating to such provider that would affect the rating of the Bonds by any rating agency then rating the Bonds. The applicable Authorized Issuer shall promptly provide the Comptroller, the Director and the applicable Trustee with copies of all notices received by it under this Section 2(c). The provisions of this Section 2(c) shall also apply to each provider of a substitute Credit Facility.

(d) Disclaimer. Each of the Director, the Comptroller, the Authorized Issuers and the Trustees shall be obligated to perform only those duties expressly provided for such entity in this Agreement, and none of the foregoing shall be under any obligation to the Holders or other parties hereto to perform, or monitor the performance of, any duties of such other parties. Without limiting the general application of the foregoing, the Authorized Issuers shall be under no obligation to the Holders or any other party hereto to review or otherwise pass upon the Annual Information or the financial statements provided pursuant to Section 2(i), and its obligations hereunder shall be limited solely to the undertaking set forth in Section 2(ii) and to the requirements of Sections 2(iii)(c) and Section 8.

(iv) MSRB Prescribed Identifying Information. All documents provided to the MSRB pursuant to this Agreement shall be accompanied by identifying information as prescribed from time to time by the MSRB.

SECTION 3. Annual Information.

(i) Specified Information. The Annual Information shall consist of the following:

(a) *financial information and operating data of the type included in the Official Statement for each series of Bonds, under the headings "PART 3 – "SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS", and "PART 4 – SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND" which shall include information relating to the following:*

(1) a description of the personal income tax imposed by Article 22 of the New York State Tax Law, which shall include a description of the tax rate, the tax base and the components of the State personal income tax (unless the personal income tax has been materially changed or modified, in which case similar information about the changed or modified tax will be provided);

(2) a historical summary of the New York State Personal Income Tax Receipts, the Withholding Component, and deposits to the Revenue Bond Tax Fund for a period of at least the five most recent completed fiscal years then available, together with an explanation of the factors affecting collection levels; and

(b) *financial information and operating data of the type included in the Annual Information Statement of the State set forth as an Appendix to, or incorporated by cross reference in, the Official Statement for the Bonds, under the headings or sub-headings "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

(c) *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 and in judging the financial condition of the State.

(ii) Cross Reference. All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents which have been electronically filed with the MSRB or filed with the Securities and Exchange Commission; provided, however, that if the document is an official statement, it shall have been electronically filed with the MSRB and need not have been filed elsewhere. The audited or unaudited financial statements of the State may be provided in the same manner.

(iii) Informational Categories. The requirements contained in this Agreement under Section 3(i) are intended to set forth a general description of the type of financial information and operating data to be provided; such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of Section 3(i) call for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided.

(iv) Providers of Credit Support. If known to the applicable Authorized Issuer, such Authorized Issuer shall inform the State, and the required Annual Information shall include the name, address and telephone number of a place where current information regarding each issuer of a Credit Facility may be obtained.

(v) Omnibus Annual Information Undertaking. The parties to this Agreement recognize, understand and agree that the information described in this Section 3 shall be set forth in the same manner in the respective Official Statements of each of the Authorized Issuers. Accordingly, a single electronic filing of the Annual Information with EMMA, shall be deemed to satisfy the Annual Information filing obligation created by this Agreement.

SECTION 4. Financial Statements.

The State's annual financial statements for each fiscal year shall be prepared in accordance with GAAP (unless applicable accounting principles are otherwise disclosed) and

audited by an independent accounting firm in accordance with GAAS (but only if audited financial statements are otherwise available for such fiscal year).

SECTION 5. Remedies.

If any party hereto should fail to comply with any provision of this Agreement, then each of the other parties and, as a direct or third-party beneficiary, as the case may be, any Holder of Bonds may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties under this Agreement; provided, however, that the sole and exclusive remedy for breach of this Agreement shall be an action to compel specific performance of the obligations of such party hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances; and provided further, that the rights of any Holder to challenge the adequacy of the information provided in accordance with Section 2 hereunder are conditioned upon the provisions of the Authorizing Document with respect to the enforcement of remedies of Holders upon the occurrence of an Event of Default described in Section A-1001(g) of the Authorizing Document as though such provisions applied hereunder. Each of the Director, the Comptroller, the applicable Authorized Issuer and the applicable Trustee reserves the right, but shall not be obligated, to enforce the obligations of the others. Failure by any party to perform its obligations hereunder shall not constitute an Event of Default under the Authorizing Document or any other agreement executed and delivered in connection with the issuance of the Bonds. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to Section 6, beneficial owners shall be deemed to be Holders of Bonds for purposes of this Section 5.

SECTION 6. Parties in Interest.

This Agreement is executed and delivered solely for the benefit of the Holders of the Bonds and, for the purposes of Section 5, beneficial owners of Bonds. For the purposes of such Section 5, beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. No person other than those described in Section 5 shall have any right to enforce the provisions hereof or any other rights hereunder.

SECTION 7. Amendments.

(i) Without the consent of any Holders (except to the extent required under clause (c)(II) of this sentence) or provider of any Credit Facility, the Authorized Issuers, the State, and the Trustees at any time and from time to time may enter into amendments or changes to this Agreement for any purpose, if (a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of one or more of the Authorized Issuers or the State or any type of business or affairs conducted by either; (b) the undertakings set forth herein, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering of the Bonds, after taking into account any amendments to, or interpretation by the staff of the Securities and Exchange Commission of, Rule 15c2-12, as well as any change in circumstances; and (c) either (I) the amendment does not materially impair the interests of the Holders, as determined either by each of the Trustees or by a nationally recognized bond counsel approved

by the State or (II) the Holders consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Authorizing Document with the consent of Holders pursuant to Section A-1003 of the Authorizing Documents. In determining whether there is such a material impairment, the Trustees may rely upon an opinion of a nationally recognized bond counsel approved by the State. The interests of Holders shall be deemed not to have been materially impaired by an amendment (1) to add a dissemination agent for the information to be provided hereunder and to make any necessary or desirable provisions with respect thereto, (2) to evidence the succession of another entity to the State, an Authorized Issuer or a Trustee and the assumption by any such successor to the obligations of such party hereunder, or (3) to add to the obligations of the State or any Authorized Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the State or any Authorized Issuer.

(ii) Annual Information for any fiscal year containing any amended operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change on the type of operating data or financial information in the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such amendment, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible such comparison shall also be quantitative. A notice of any such change in accounting principles shall be electronically filed with the MSRB.

SECTION 8. Termination.

This Agreement shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on all Bonds (in each case in this Section 8, "Bonds" shall refer to each series of Bonds, respectively) shall have been paid in full or all Bonds shall have otherwise been paid or defeased in accordance with the applicable Authorizing Documents (a "Legal Defeasance"); provided, however, that if Rule 15c2-12 (or any successor provision) shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then such information shall no longer be required to be provided hereunder; and provided further, that if and to the extent Rule 15c2-12 (or successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise inapplicable to the Bonds, then the information required to be provided hereunder, insofar as it was required to be provided by a provision of Rule 15c2-12 so declared, shall no longer be required to be provided hereunder. Upon any Legal Defeasance of a series of Bonds, the applicable Authorized Issuer shall electronically file with the MSRB notice of such defeasance, and such notice shall state whether the applicable series of Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption. Upon any other termination pursuant to this Section 8, the applicable Authorized Issuer shall electronically file with the MSRB notice of such termination.

SECTION 9. The Trustees.

(i) Except as specifically provided herein, this Agreement shall not create any obligation or duty on the part of any Trustee and no Trustee shall be subject to any liability hereunder for acting or failing to act as the case may be.

(ii) Each Trustee shall be indemnified and held harmless in connection with this Agreement, to the same extent provided in the applicable Authorizing Document for matters arising thereunder.

SECTION 10. Governing Law.

This Agreement shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

SECTION 11. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all shall together constitute one and the same instrument.

SECTION 12. Effective Date.

This Agreement shall be effective as of December 1, 2010 unless the effective date of the applicable amendments to Rule 15c2-12 is delayed by the Securities and Exchange Commission, in which case (i) this Agreement shall be effective as of such later date, and (ii) the Master Continuing Disclosure Agreement dated as of May 1, 2002, as amended and restated as of July 1, 2009, shall remain in effect to such delayed effective date.

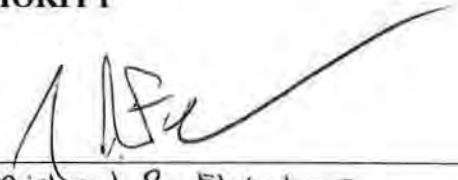
IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this amended and restated Master Continuing Disclosure Agreement as of the date first above written.

AUTHORIZED ISSUERS:

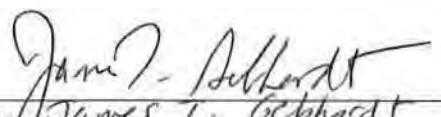
DORMITORY AUTHORITY OF THE STATE OF NEW YORK

By: 
Name: Portia Lee
Title: Managing Director

NEW YORK STATE THRUWAY AUTHORITY

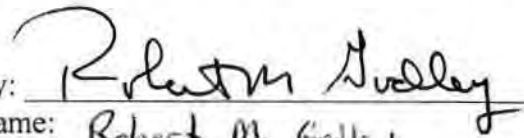
By: 
Name: Michael R. Fleischer
Title: Executive Director

NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION


By: 
Name: James T. Gebhardt
Title: Chief Financial Officer

NEW YORK STATE URBAN DEVELOPMENT CORPORATION

d/b/a Empire State Development Corporation

By: 
Name: Robert M. Godley
Title: Treasurer


NEW YORK STATE HOUSING FINANCE AGENCY

By: 
Name: Maryann Zucker
Title: President, Office of Finance & Development

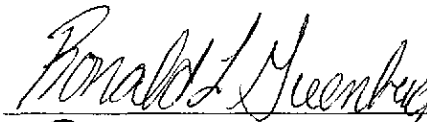
THE STATE OF NEW YORK

Obligated Person

By Thomas P. DiNapoli, Comptroller

By: 
Name: Mark P. Patton
Title: Executive Deputy Comptroller

By Robert L. Megna, Director of the Budget

By: 
Name: Ronald L. Greenberg
Title: First Deputy Director

TRUSTEES:

DEUTSCHE BANK TRUST COMPANY AMERICAS

*as Trustee for the benefit of certain Dormitory
Authority of the State of New York Bondholders*

By:  
Authorized Signatory

By: 
Authorized Signatory

THE BANK OF NEW YORK MELLON

*as Trustee for the benefit of New York State
Environmental Facilities Corporation Bondholders*

By: 
Authorized Signatory

DEUTSCHE BANK TRUST COMPANY AMERICAS


*as Trustee for the benefit of New York State
Housing Finance Agency Bondholders*

By:  
Authorized Signatory

By: 
Authorized Signatory

THE BANK OF NEW YORK MELLON

*as Trustee for the benefit of New York State
Thruway Authority Bondholders*

By: 
Authorized Signatory

THE BANK OF NEW YORK MELLON

*as Trustee for the benefit of New York State
Urban Development Corporation Bondholders*

By: 
Authorized Signatory

U.S. BANK NATIONAL ASSOCIATION
*as Trustee for the benefit of certain Dormitory
Authority of the State of New York Bondholders*

By:  _____
Authorized Signatory

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APPENDIX F

SUMMARY OF REFUNDED BONDS

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APPENDIX F

SUMMARY OF REFUNDED BONDS

The following is a list of the series of bonds that are expected to be refunded or redeemed with a portion of the proceeds of the Series 2012D Bonds and the Series 2012F Bonds, together with other available funds. All of the series of bonds listed below are the Refunded Bonds as described in “PART 7—THE REFUNDING PLAN.”

Summary of Refunded Authority Bonds

<u>Series</u>	<u>CUSIP[†] Number</u>	<u>Maturity Date</u>	<u>Coupon</u>	<u>Outstanding Principal</u>	<u>Principal Redeemed</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
Long Island College Hospital FHA-Insured Mortgage Hospital Revenue Bonds, Series 2004A	64983TWD1	8/15/2015	6.000%	\$ 9,310,000	\$ 9,310,000**	11/23/2012	100%
	64983TWE9	8/15/2020	6.350	22,300,000	22,300,000**	11/23/2012	100
	64983TWF6	8/15/2024	6.450	51,875,000	51,875,000**	11/23/2012	100
Long Island College Hospital FHA-Insured Mortgage Hospital Revenue Bonds, Series 2004B	64983TWH2	8/15/2015	6.250	2,605,000	2,605,000**	11/23/2012	100
	64983TWH8	8/15/2020	6.550	12,750,000	12,750,000**	11/23/2012	100
	64983TWK5	8/15/2030	6.650	42,320,000	42,320,000**	11/23/2012	100
State Personal Income Tax Revenue Bonds (State Facilities and Equipment), Series 2003A	6499012E4	3/15/2018	4.125	1,200,000	1,200,000	3/15/2013	100
	6499012F1	3/15/2019	4.250	1,250,000	1,250,000	3/15/2013	100
	6499012G9	3/15/2020	4.300	1,300,000	1,300,000	3/15/2013	100
	6499012H7	3/15/2021	4.375	1,360,000	1,360,000	3/15/2013	100
	6499012J3	3/15/2022	4.500	1,415,000	1,415,000	3/15/2013	100
	6499012K0	3/15/2023	4.600	1,480,000	1,480,000	3/15/2013	100
State Personal Income Tax Revenue Bonds (Education), Series 2003A	64990HPK0	3/15/2014	4.150	440,000	440,000	3/15/2013	100
	64990HPL8	3/15/2014	5.500	3,965,000	3,965,000	3/15/2013	100
	64990HPM6	3/15/2015	4.250	345,000	345,000	3/15/2013	100
	64990HPN4	3/15/2017	4.450	150,000	150,000	3/15/2013	100
	649901YR0	3/15/2018	4.500	490,000	490,000	3/15/2013	100
State University Educational Facilities Revenue Bonds, Series 1998A	649838QD4	5/15/2025	4.750	9,220,000	9,220,000**	11/18/2012	100

[†] Copyright, American Bankers Association. CUSIP numbers were assigned by Standard & Poor’s, CUSIP Service Bureau and are provided solely for convenience. The Authority is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Refunded Bonds or as indicated above. The CUSIP numbers have been and are subject to change after the original issuance of the Refunded Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part.

<u>Series</u>	<u>CUSIP[†] Number</u>	<u>Maturity Date</u>	<u>Coupon</u>	<u>Outstanding Principal</u>	<u>Principal Redeemed</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
State University Educational Facilities Revenue Bonds, Series 2002A	649901CC7	5/15/2013	5.000%	\$ 6,915,000	\$ 6,915,000	11/18/2012	101%
	649901CD5	5/15/2014	4.300	7,265,000	7,265,000	11/18/2012	101
Third General Resolution Revenue Bonds (State University Educational Facilities Issue), Series 2002A	6498398W0	11/15/2013	5.250	31,745,000	31,745,000	11/18/2012	100
	6498398V2	11/15/2013	3.700	6,985,000	6,985,000	11/18/2012	100
Mental Health Services Facilities Improvement Revenue Bonds, Series 1998B	64990HBA7	2/15/2028	5.000	1,260,000	1,260,000**	11/18/2012	100
Mental Health Services Facilities Improvement Revenue Bonds, Series 1998D	64983MY28	8/15/2013	5.250	835,000	835,000	11/18/2012	100
	64983MY36	8/15/2017	5.000	8,320,000	8,320,000**	11/18/2012	100
	64990HBD1	2/15/2023	5.000	9,760,000	9,760,000**	11/18/2012	100
	64990HBE9	2/15/2025	4.750	2,540,000	2,540,000**	11/18/2012	100
Mental Health Services Facilities Improvement Revenue Bonds, Series 1998F	64990HCN8	8/15/2028	4.500	27,915,000	27,915,000**	11/18/2012	100
Mental Health Services Facilities Improvement Revenue Bonds, Series 1998G	64990HDB3	2/15/2013	5.250	110,000	110,000	11/18/2012	100
	64990HDC1	8/15/2013	5.250	100,000	100,000	11/18/2012	100
	64990HDD9	8/15/2018	4.500	860,000	860,000**	11/18/2012	100
	64990HDE7	8/15/2020	4.750	320,000	320,000**	11/18/2012	100
Mental Health Services Facilities Improvement Revenue Bonds, Series 1999B	64990HDG2	2/15/2029	5.000	3,425,000	3,425,000**	11/18/2012	100
Mental Health Services Facilities Improvement Revenue Bonds, Series 1999C	64990HEA4	8/15/2013	5.125	225,000	225,000	11/18/2012	100
	64990HEB2	2/15/2014	5.125	225,000	225,000	11/18/2012	100
	64990HEC0	8/15/2014	5.125	230,000	230,000	11/18/2012	100
	64990HED8	2/15/2015	5.125	240,000	240,000	11/18/2012	100
	64990HEE6	8/15/2015	5.125	245,000	245,000	11/18/2012	100
	64990HEF3	8/15/2019	4.750	1,560,000	1,560,000**	11/18/2012	100
	64990HEG1	8/15/2022	4.750	1,390,000	1,390,000**	11/18/2012	100
Mental Health Services Facilities Improvement Revenue Bonds, Series 2000D	64983ME61	8/15/2030	5.250	1,400,000	1,400,000**	11/18/2012	100

<u>Series</u>	<u>CUSIP[†] Number</u>	<u>Maturity Date</u>	<u>Coupon</u>	<u>Outstanding Principal</u>	<u>Principal Redeemed</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
Mental Health Services Facilities Improvement Revenue Bonds, Series 2001B	64983MSU3	8/15/2013	5.500%	\$ 5,000	\$ 5,000	11/18/2012	100%
	64983MSV1	2/15/2014	5.000	5,000	5,000	11/18/2012	100
	64983MSW9	8/15/2014	5.000	5,000	5,000	11/18/2012	100
	64983MTL2	8/15/2021	5.200	30,000	30,000	11/18/2012	100
	64983MTM0	8/15/2031	5.250	26,575,000	26,575,000**	11/18/2012	100

**The refunded bonds will be credited against the following mandatory redemption dates:

Long Island College Hospital FHA-Insured Mortgage Hospital Revenue Bonds, Series 2004A

2015 Term Bond

<u>Maturity</u>	<u>Amount</u>
2/15/2013	\$3,160,000
8/15/2013	3,255,000
2/15/2014	2,895,000

Long Island College Hospital FHA-Insured Mortgage Hospital Revenue Bonds, Series 2004A

2020 Term Bond

<u>Maturity</u>	<u>Amount</u>
2/15/2014	\$ 460,000
8/15/2014	3,460,000
2/15/2015	3,570,000
8/15/2015	3,685,000
2/15/2016	3,805,000
8/15/2016	3,925,000
2/15/2017	3,395,000

Long Island College Hospital FHA-Insured Mortgage Hospital Revenue Bonds, Series 2004A

2024 Term Bond

<u>Maturity</u>	<u>Amount</u>
2/15/2017	\$ 660,000
8/15/2017	4,185,000
2/15/2018	4,325,000
8/15/2018	4,465,000
2/15/2019	4,610,000
8/15/2019	4,765,000
2/15/2020	4,920,000
8/15/2020	5,080,000
2/15/2021	5,250,000
8/15/2021	13,615,000

Long Island College Hospital FHA-Insured Mortgage Hospital Revenue Bonds, Series 2004B

2015 Term Bond

<u>Maturity</u>	<u>Amount</u>
2/15/2013	\$930,000
8/15/2013	955,000
2/15/2014	720,000

Long Island College Hospital FHA-Insured Mortgage Hospital Revenue Bonds, Series 2004B

2020 Term Bond

<u>Maturity</u>	<u>Amount</u>
2/15/2014	\$ 270,000
8/15/2014	1,020,000
2/15/2015	1,055,000
8/15/2015	1,090,000
2/15/2016	1,130,000
8/15/2016	1,165,000
2/15/2017	1,200,000
8/15/2017	1,245,000
2/15/2018	1,285,000
8/15/2018	1,325,000
2/15/2019	1,375,000
8/15/2019	590,000

Long Island College Hospital FHA-Insured Mortgage Hospital Revenue Bonds, Series 2004B

2030 Term Bond

<u>Maturity</u>	<u>Amount</u>
8/15/2019	\$ 825,000
2/15/2020	1,465,000
8/15/2020	1,515,000
2/15/2021	1,570,000
8/15/2021	1,620,000
2/15/2022	1,675,000
8/15/2022	1,730,000
2/15/2023	1,790,000
8/15/2023	1,850,000
2/15/2024	1,915,000
8/15/2024	1,975,000
2/15/2025	2,045,000
8/15/2025	2,115,000
2/15/2026	2,185,000
8/15/2026	2,260,000
2/15/2027	2,340,000
8/15/2027	2,415,000
2/15/2028	2,500,000
8/15/2028	8,530,000

State University Educational Facilities Revenue Bonds, Series 1998A

2025 Term Bond

<u>Maturity</u>	<u>Amount</u>
5/15/2025	\$9,220,000

Mental Health Services Facilities Improvement Revenue Bonds, Series 1998B

2028 Term Bond

<u>Maturity</u>	<u>Amount</u>
8/15/2023	\$ 10,000
2/15/2024	80,000
8/15/2024	190,000
2/15/2025	195,000
8/15/2025	200,000
2/15/2026	205,000
8/15/2026	60,000
2/15/2027	60,000
8/15/2027	200,000
2/15/2028	60,000

Mental Health Services Facilities Improvement Revenue Bonds, Series 1998D

2017 Term Bond

<u>Maturity</u>	<u>Amount</u>
2/15/2014	\$ 855,000
8/15/2014	880,000
2/15/2015	900,000
8/15/2015	920,000
2/15/2016	1,150,000
8/15/2016	1,175,000
2/15/2017	1,205,000
8/15/2017	1,235,000

Mental Health Services Facilities Improvement Revenue Bonds, Series 1998D

2023 Term Bond

<u>Maturity</u>	<u>Amount</u>
2/15/2018	\$ 810,000
8/15/2018	830,000
2/15/2019	850,000
8/15/2019	870,000
2/15/2020	895,000
8/15/2020	915,000
2/15/2021	940,000
8/15/2021	960,000
2/15/2022	985,000
8/15/2022	1,010,000
2/15/2023	695,000

Mental Health Services Facilities Improvement Revenue Bonds, Series 1998D

2025 Term Bond

<u>Maturity</u>	<u>Amount</u>
8/15/2023	\$710,000
2/15/2024	730,000
8/15/2024	750,000
2/15/2025	350,000

Mental Health Services Facilities Improvement Revenue Bonds, Series 1998F

2028 Term Bond

<u>Maturity</u>	<u>Amount</u>
2/15/2019	\$ 145,000
8/15/2019	145,000
2/15/2020	150,000
8/15/2020	155,000
2/15/2021	155,000
8/15/2021	1,630,000
2/15/2022	165,000
8/15/2022	1,700,000
2/15/2023	1,745,000
8/15/2023	1,780,000
2/15/2024	1,825,000
8/15/2024	1,865,000
2/15/2025	1,905,000
8/15/2025	1,945,000
2/15/2026	1,985,000
8/15/2026	2,030,000
2/15/2027	2,075,000
8/15/2027	2,120,000
2/15/2028	2,170,000
8/15/2028	2,225,000

Mental Health Services Facilities Improvement Revenue Bonds, Series 1998G

2018 Term Bond

<u>Maturity</u>	<u>Amount</u>
2/15/2014	\$85,000
8/15/2014	90,000
2/15/2015	90,000
8/15/2015	70,000
2/15/2016	90,000
8/15/2016	90,000
2/15/2017	90,000
8/15/2017	90,000
2/15/2018	90,000
8/15/2018	75,000

Mental Health Services Facilities Improvement Revenue Bonds, Series 1998G

2020 Term Bond

<u>Maturity</u>	<u>Amount</u>
2/15/2019	\$85,000
8/15/2019	85,000
2/15/2020	85,000
8/15/2020	65,000

Mental Health Services Facilities Improvement Revenue Bonds, Series 1999B

2029 Term Bond

<u>Maturity</u>	<u>Amount</u>
8/15/2024	\$290,000
2/15/2025	295,000
8/15/2025	365,000
2/15/2026	85,000
8/15/2026	375,000
2/15/2027	385,000
8/15/2027	390,000
2/15/2028	405,000
8/15/2028	410,000
2/15/2029	425,000

Mental Health Services Facilities Improvement Revenue Bonds, Series 1999C

2019 Term Bond

<u>Maturity</u>	<u>Amount</u>
2/15/2016	\$180,000
8/15/2016	185,000
2/15/2017	185,000
8/15/2017	190,000
2/15/2018	200,000
8/15/2018	200,000
2/15/2019	210,000
8/15/2019	210,000

Mental Health Services Facilities Improvement Revenue Bonds, Series 1999C

2022 Term Bond

<u>Maturity</u>	<u>Amount</u>
2/15/2020	\$215,000
8/15/2020	225,000
2/15/2021	230,000
8/15/2021	230,000
2/15/2022	240,000
8/15/2022	250,000

Mental Health Services Facilities Improvement Revenue Bonds, Series 2000D

2030 Term Bond

<u>Maturity</u>	<u>Amount</u>
8/15/2027	\$185,000
2/15/2028	190,000
8/15/2028	195,000
2/15/2029	200,000
8/15/2029	205,000
2/15/2030	210,000
8/15/2030	215,000

Mental Health Services Facilities Improvement Revenue Bonds, Series 2001B

2031 Term Bond

<u>Maturity</u>	<u>Amount</u>
8/15/2022	\$ 30,000
2/15/2023	30,000
8/15/2023	35,000
2/15/2024	35,000
8/15/2024	35,000
2/15/2025	35,000
8/15/2025	35,000
2/15/2026	630,000
8/15/2026	645,000
2/15/2027	2,225,000
8/15/2027	2,285,000
2/15/2028	2,345,000
8/15/2028	2,405,000
2/15/2029	2,470,000
8/15/2029	2,530,000
2/15/2030	2,600,000
8/15/2030	2,665,000
2/15/2031	2,735,000
8/15/2031	2,805,000

Summary of Refunded New York State Environmental Facilities Corporation Bonds

<u>Series</u>	<u>CUSIP[†] Number</u>	<u>Maturity Date</u>	<u>Coupon</u>	<u>Outstanding Principal</u>	<u>Principal Redeemed</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
State Personal Income Tax Revenue Bonds (Environment), Series 2002A	64985HAL1	1/1/2014	4.000%	\$5,725,000	\$5,725,000	1/1/2013	100%
	64985HAM9	1/1/2015	4.200	680,000	680,000	1/1/2013	100
	64985HAU1	1/1/2022	4.700	5,100,000	5,100,000	1/1/2013	100
	64985HAV9	1/1/2023	4.850	2,360,000	2,360,000	1/1/2013	100
	64985HBE6	1/1/2023	5.000	6,590,000	6,590,000	1/1/2013	100

